



# **Fiscal Year 2012 Second Quarter Financial Results**

**August 3, 2012  
Rakuten, Inc.**

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## **1** eBook Business and Kobo Launch in Japan

## **2** Englishnization

## **3** FY2012 Second Quarter Results

## **4** Internet Services

## **5** Internet Finance

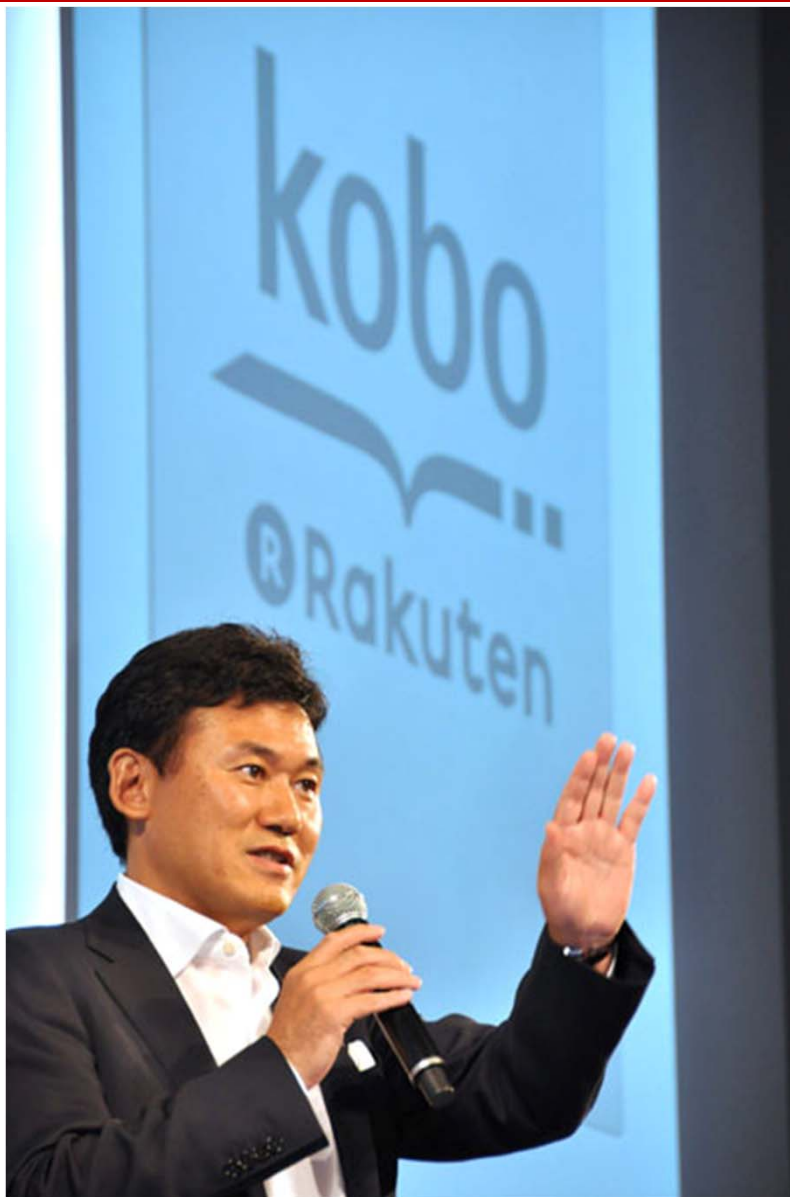
## **6** Others

## Appendix

### **New Accounting Policy Regarding Loyalty Points**

The Rakuten Group changed an accounting policy regarding loyalty points and made a retrospective application of such change to the financial statements of previous fiscal years.

# **1 eBook Business and Kobo Launch in Japan**



**Kobo creates value  
in the new era  
of publishing and  
retailing in Japan**

- Top management of Japanese publishers and the Canadian Ambassador to Japan attended the reception of Kobo's launch in the Japanese market.



Photo: msn Sankei News, July 20, 2012 ”

- “I am surprised at Kobo sales from the service start. We will add as many new eBook titles as possible”. (Kodansha CEO Mr. Noma)
- “There have been very surprising sales, despite a few challenges at first. For eBooks to spread even more, I give my support”.
- “To be frank, we had high expectations for sales and I suggested we hurry up the delivery of the products”.
- “We heard the breaking news about sales in our office, and we were excited that sales were much better than expected”.
- “It is a stylish device, and I happened to see a man inside a train happily and proudly reading a novel on the device. It seems at last a new reading style is taking root in Japan”.
- “Congratulations on the launch of Rakuten/Kobo. With the Rakuten/Kobo launch into the eReader market, this will be a great contribution to the expansion of the reading population of Japan. I hope that we as a publishing company can help in the development of Rakuten Kobo. We admire the faith of Rakuten CEO Mikitani-san and have high expectations for Rakuten in the development of the publishing industry”.
- “Congratulations on the opening of the Rakuten Kobo service. I respect Rakuten’s aggressive promotion of the eBook business. Let’s promote a reading revolution and create a new market”.

- **High profile Japan launch of Kobo on July 19**
  - Device sales surpassed our high expectations
  - Content downloads per user 5x higher than our initial plan
  
- **Win-win relationship with publishers and retailers**
  
- **Planning to boost Japanese content selection**
  - Up to 60,000 (target) by the end of August
  - 200,000 titles by end of 2012
  - 1.5 million titles within a few years
  
- **Focusing on improving user experience**
  - Ongoing software updates
  - Boosting support and call center staff (24 hour operation)
  - We welcome constructive customer feedback

## **Global Expansion Progressing**

- **Content revenues in global Kobo business showing rapid growth from new customers**
- **In the UK, Kobo and WHSmith are setting up 100 'experiential shops' inside WHSmith stores**
- **Kobo and Mondadori announced partnership to launch in Italy later in 2012**

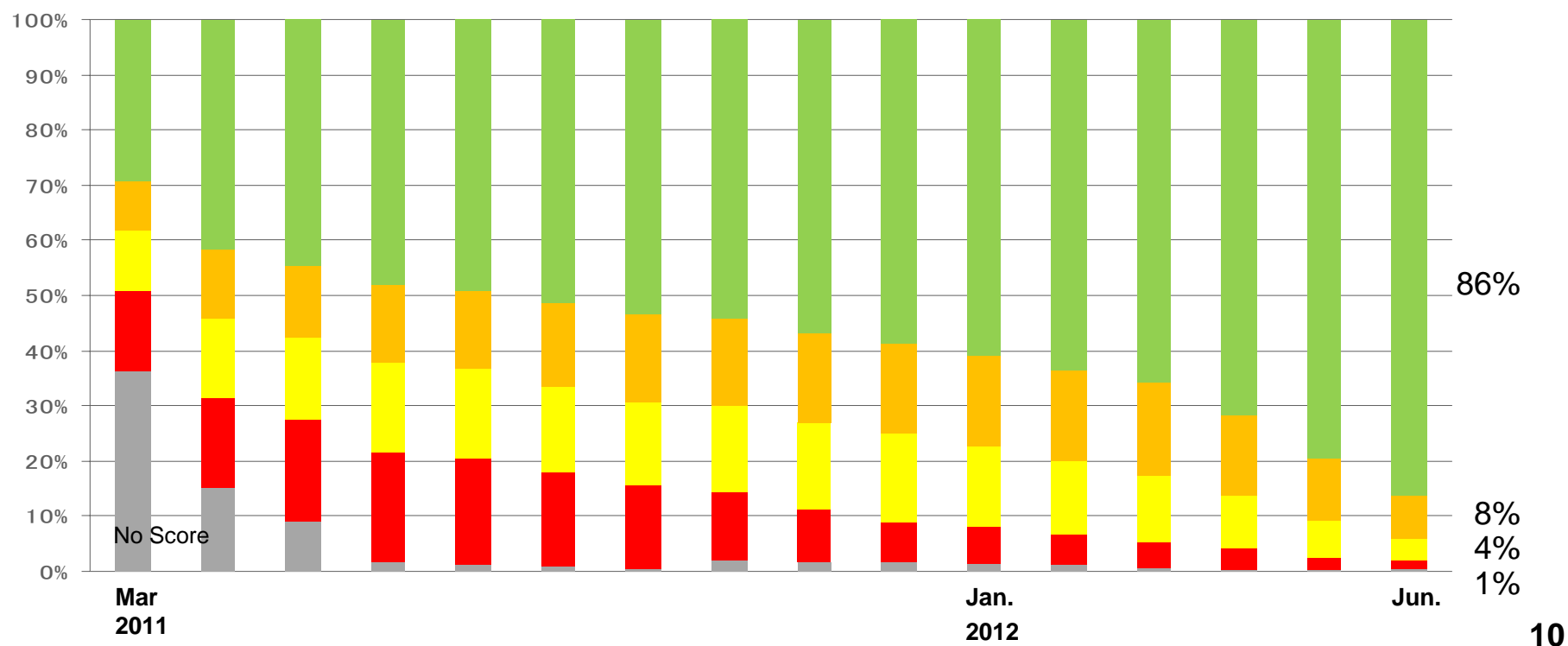


## **2** Englishnization

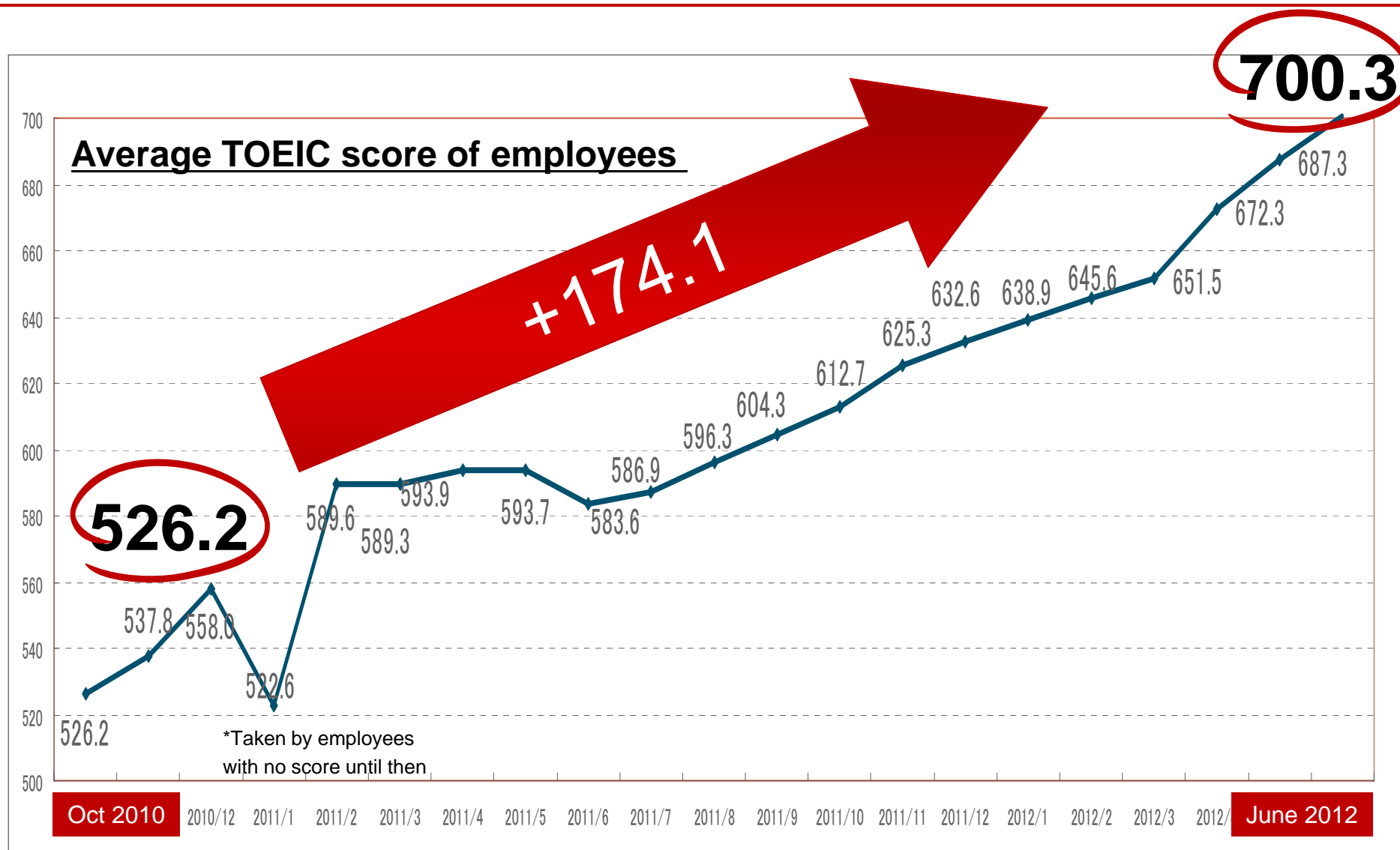
- 86% of employees achieved TOEIC target score as of the formal launch in July 2012
- About 30% of new staff are non-Japanese
- Enables recruitment of talented global engineers
- Sharing best practices worldwide
- Multi-national communication at the working level becoming more active
- Speeding up post-merger integration and the promotion of Rakuten model adoption overseas

(Data as of June 30, 2012)

	Mar 2011	Jun 2012	ZONE Definition
<b>GREEN ZONE</b>	<b>29%</b>	<b>86%</b>	Score meets or exceeds target
<b>ORANGE ZONE</b>	<b>9%</b>	<b>8%</b>	Between 1 to 99 points away from target
<b>YELLOW ZONE</b>	<b>11%</b>	<b>4%</b>	Between 100 to 199 points away from target
<b>RED ZONE</b>	<b>14%</b>	<b>1%</b>	More than 200 points away from target



# Average TOEIC Score Improved



Data: Rakuten Inc.

## **3** FY2012 Second Quarter Results

- **Record high sales, EBITDA, OP and ordinary profit for Q2**
- **Expanding cash generation from domestic Internet Services**
- **Finance business turned from investment phase to profit making phase**
- **Accelerated investment in new strategic areas**

## Summary of Q2/12 Consolidated Results



(JPY bn)

	Q2/11 <sup>*2</sup> (Apr-Jun)	Q2/12 (Apr-Jun)	Margin	YoY
<b>Sales</b>	90.7	<b>101.8</b>	100.0%	+12.2%
<b>Operating Profit</b>	14.3	<b>18.0</b>	17.7%	+26.0%
<b>Ordinary Profit</b>	14.3	<b>17.7</b>	17.4%	+23.6%
<b>EBITDA<sup>*1</sup></b>	20.5	<b>25.3</b>	24.9%	+23.3%

\*1: EBITDA = Ordinary Profit + Interest expense + Depreciation + Amortization of goodwill and intangible assets

\*2: Q2/11 profits are after retrospective application of the change in accounting policy regarding loyalty points program

# Summary of Q2/12 Consolidated Results (by Business Category)



(JPY bn)

		Q2/12 (Apr-Jun)							
		Sales	YoY	Operating Profit	Operating Profit Margin	YoY <sup>*2</sup>	EBITDA <sup>*3</sup>	EBITDA Margin	YoY <sup>*2</sup>
Internet Services	Net <sup>*1</sup>	57.0	+26.8%	14.5	25.5%	-4.5%	17.5	30.7%	+2.6%
	Gross (Accounting)	62.4	+22.5%		23.3%			28.0%	
Internet Finance		37.4	+4.6%	5.8	15.5%	12x	7.7	20.7%	+202.5%
Others		9.2	-1.5%	1.0	11.1%	+49.0%	1.5	17.2%	+34.9%
Adjustments		-7.3	-	-3.3	-	-	-1.5	-	-
Consolidated		101.8	+12.2%	18.0	17.7%	+26.0%	25.3	24.9%	+23.3%

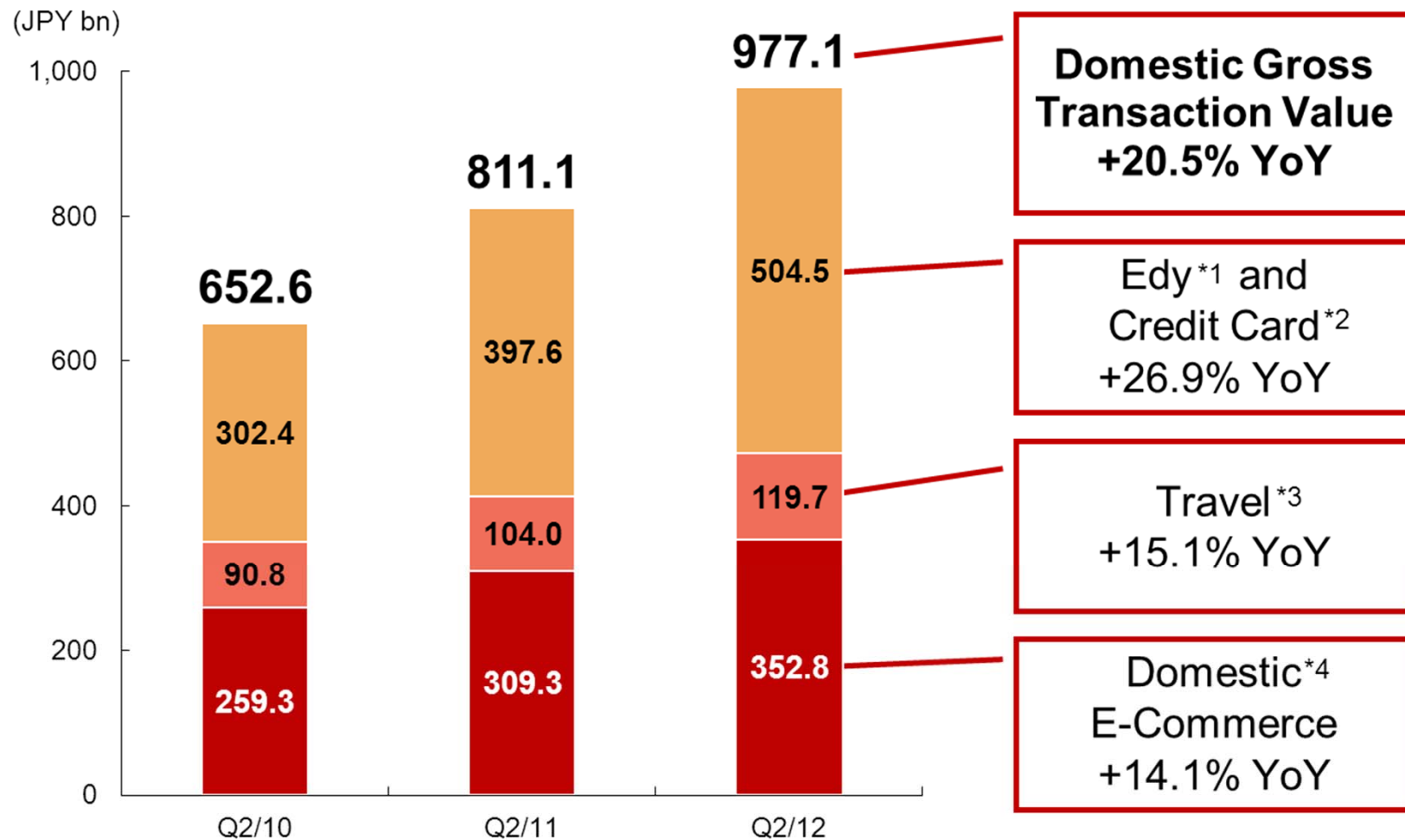
\*1: Calculated based on Gross Profit for Package Media (inventory-type business in Japan).

\*2: Growth rate is based on Q2/11 profits after retrospective application of the change in accounting policy regarding loyalty points.

\*3: EBITDA = Ordinary Profit + Interest expense + Depreciation + Amortization of goodwill and intangible assets



# Quarterly Domestic Gross Transaction Value (Including Credit Cards and E-Money)



\*1: Edy Transaction Value = Amount settled by E-Money "Edy" (including mobile and cards)

\*2: Credit Card Shopping Transaction Value = Shopping Transaction Value of credit cards (including Rakuten group service use)

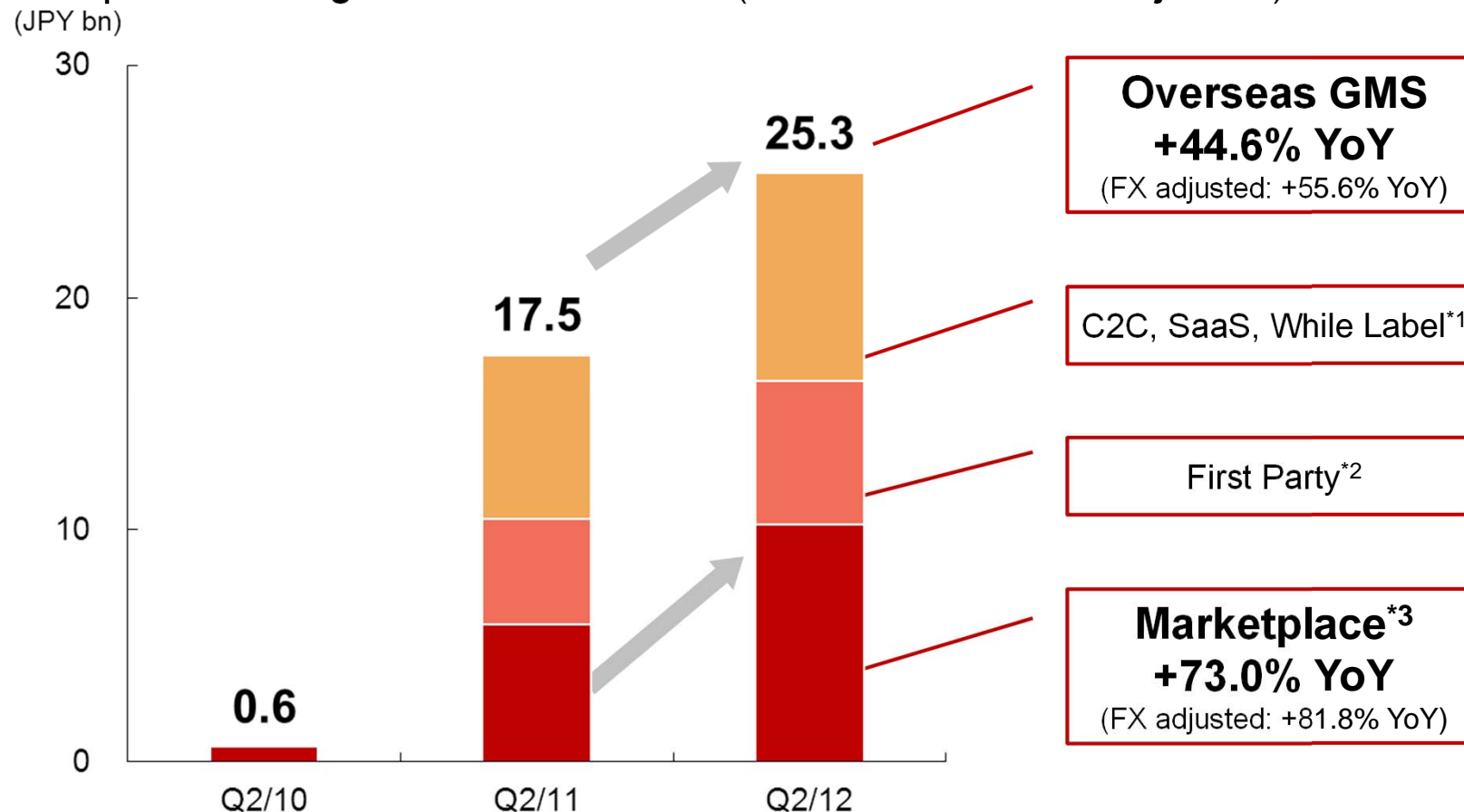
\*3: Travel (before cancellations, excluding tax) = Domestic/international accommodation bookings, International air tickets, Domestic/international dynamic packages, bus services, rent-a-car and pet hotel services

\*4: 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, Dining and Salon (Q2/12~ started)

## Quarterly Gross Merchandise Sales (GMS) Overseas Companies



- Global E-commerce GMS growth: +44.6% YoY (+55.6% YoY forex adjusted)
- Marketplace GMS growth: +73.0% YoY (+81.8% YoY forex adjusted)



\*1: C2C, SaaS, White Label = PriceMinister C2C + Rakuten Brasil SaaS + Buy.com White Label .

\*2: First Party = Buy.com First Party + Play.com First Party

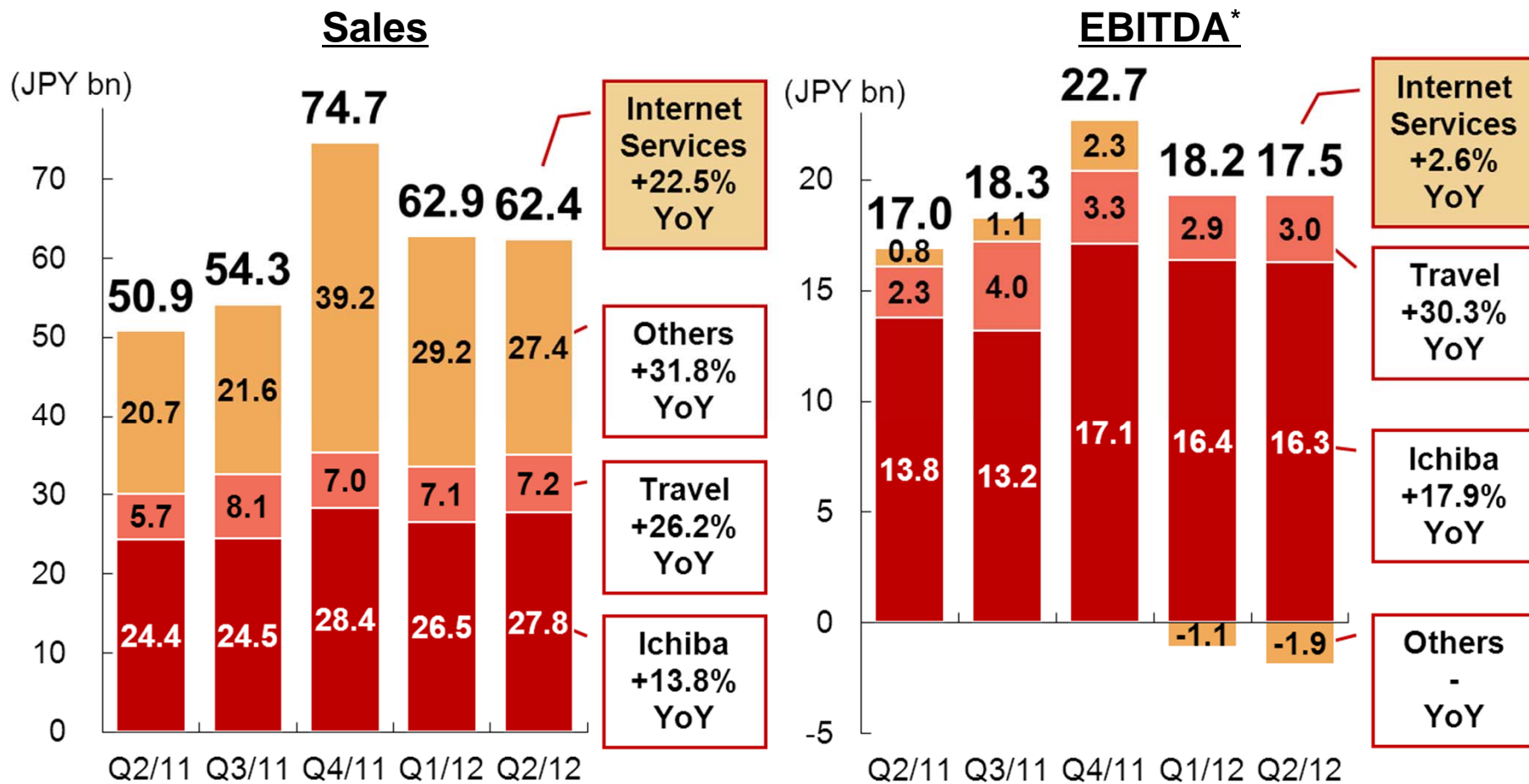
\*3: Marketplace = Taiwan Rakuten Ichiba + Tarad Premium Mall + Lekutian + Buy.com marketplace + PriceMinister marketplace + Rakuten Belanja Online + Rakuten Deutschland + Play.com marketplace + Rakuten Brasil marketplace (from Q2/12).

## **4** Internet Services

## Internet Service Segment Breakdown by Major Businesses



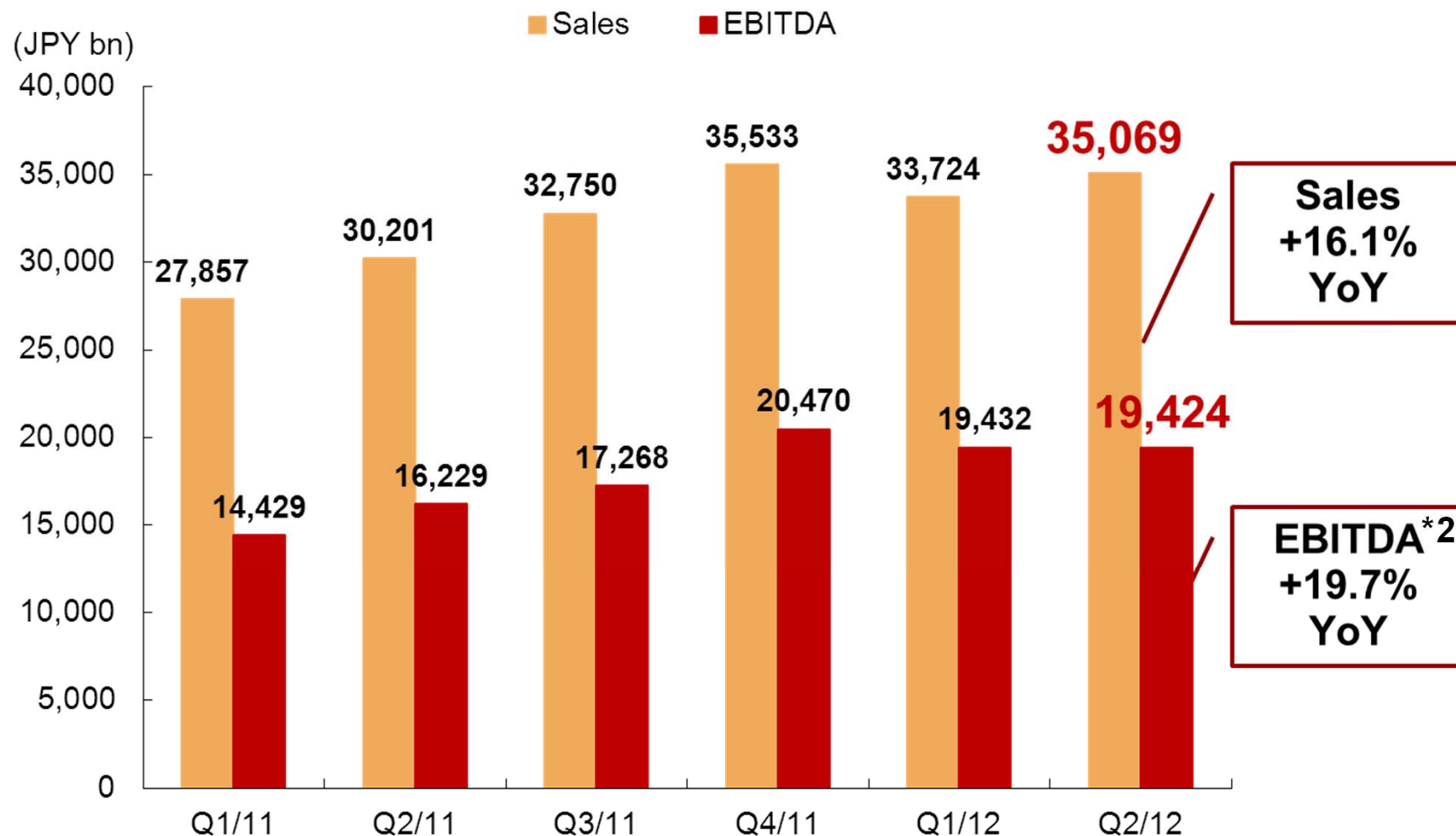
- Domestic Internet services firmly growing
- In 'Others', focus on eBook business as well as transforming overseas subsidiaries to marketplace-type e-commerce



\*: EBITDA = Ordinary Profit + Interest expense + Depreciation + Amortization of goodwill and intangible assets.

EBITDA in 2011 is after retrospective application of the change in accounting policy regarding loyalty points

# Rakuten Ichiba and Rakuten Travel Quarterly Results\*<sup>1</sup>





\*1: Results are sum of Rakuten Ichiba and Rakuten Travel Businesses, excluding others of Internet Services

\*2: EBITDA = Ordinary Profit + Interest expense + Depreciation + Amortization of goodwill and intangible assets.  
EBITDA in 2011 is after retrospective application of the change in accounting policy regarding loyalty points

## Internet Services Highlights of Q2/12 (Japan) Rakuten


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- Rakuten Ichiba** 
- Ichiba & Books GMS grew firmly despite tough comparison with Q2/11: +12.5% YoY
  - EBITDA growth: +17.9% YoY, OP growth: +15.9% YoY
  - GMS via smartphones exceeded feature phones
  - Second Rakuten Super Sale achieved JPY 37bn of GMS (Ichiba, Books, Delivery and Travel)
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- Rakuten Travel** 
- Kept high GTV growth rate: +15.1% YoY
  - EBITDA growth: +30.3%, OP growth: +32.8% YoY
  - High growth in summer vacation bookings\*: Domestic GTV +36.9% YoY, Overseas GTV +44.3% YoY

(\*July 18 - August 31, 2012)

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- Others(Japan)** 
- Rakuten Mart, our online supermarket, launched in July

## Internet Services Highlights of Q2/12 (Overseas E-Commerce)



### Rakutenization



- “Global Dashboard” project started to share know-how (YOKOTEN) of Rakuten Ichiba

### E-Commerce in US and Europe



- Accelerating growth of Marketplace GMS
  - Buy.com +24.1% YoY\*
  - PriceMinister +40.0% YoY\* (\*Local currency basis)
- Rakuten Deutschland executed Ichiba-style promotions. June-July GMS growth: +40% YoY
- Invested in photo-based SNS Pinterest, and planned global partnership

### E-Commerce in emerging countries

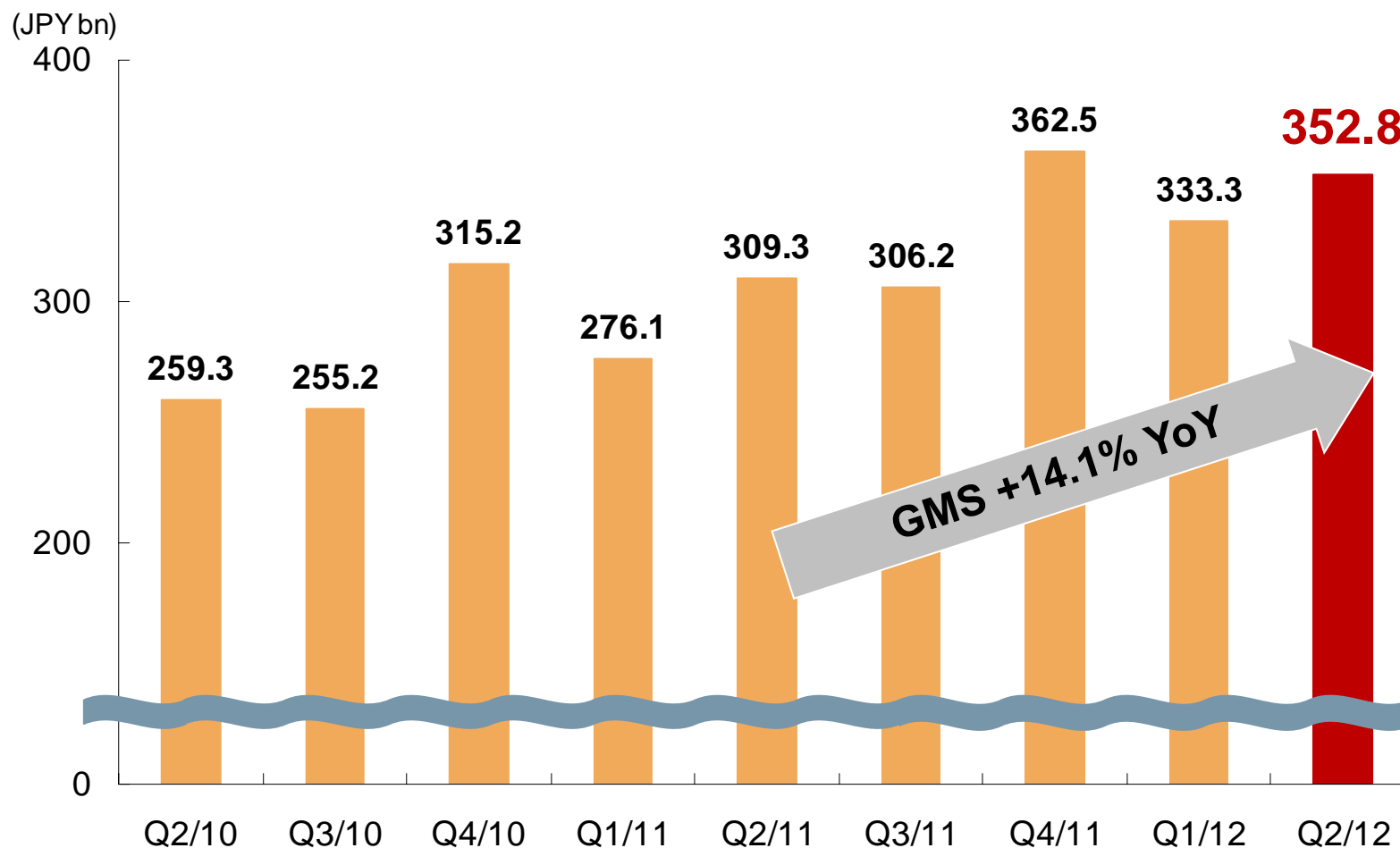


- Announced launch in Malaysia, as a greenfield business
- Online shopping mall successfully launched in Brazil: Rakuten.com.br

## Domestic E-Commerce GMS



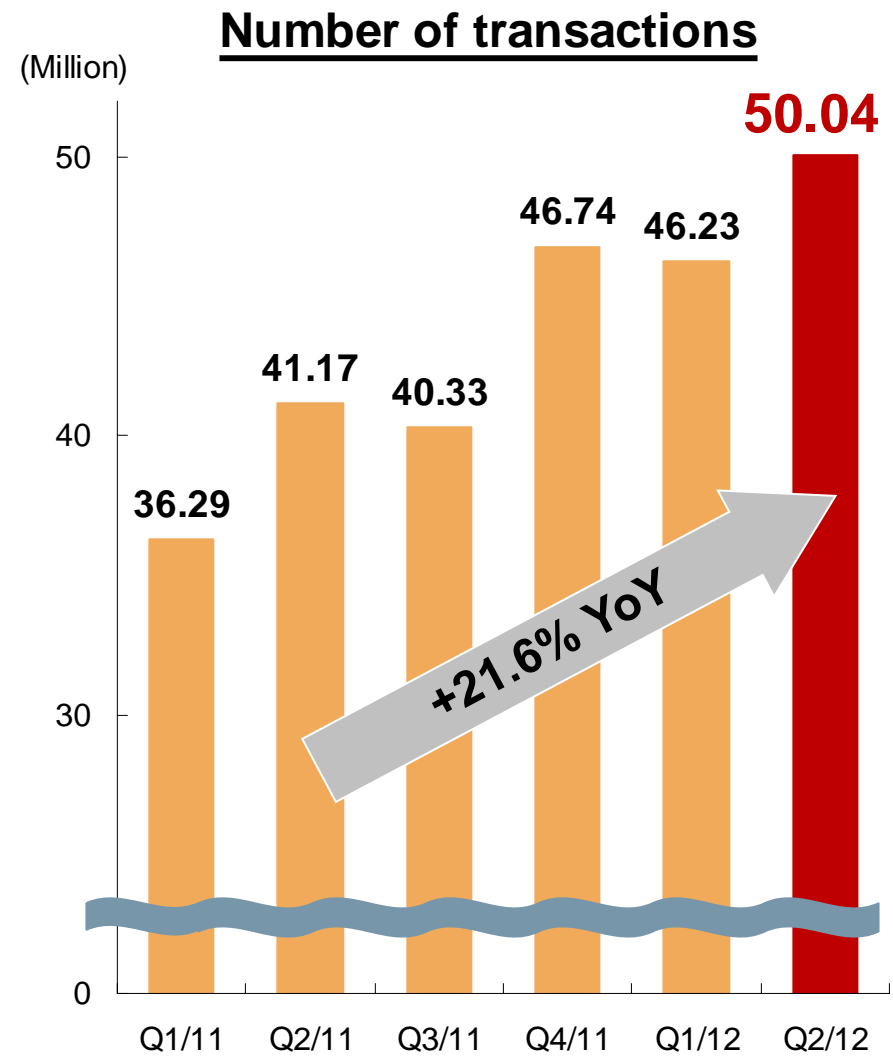
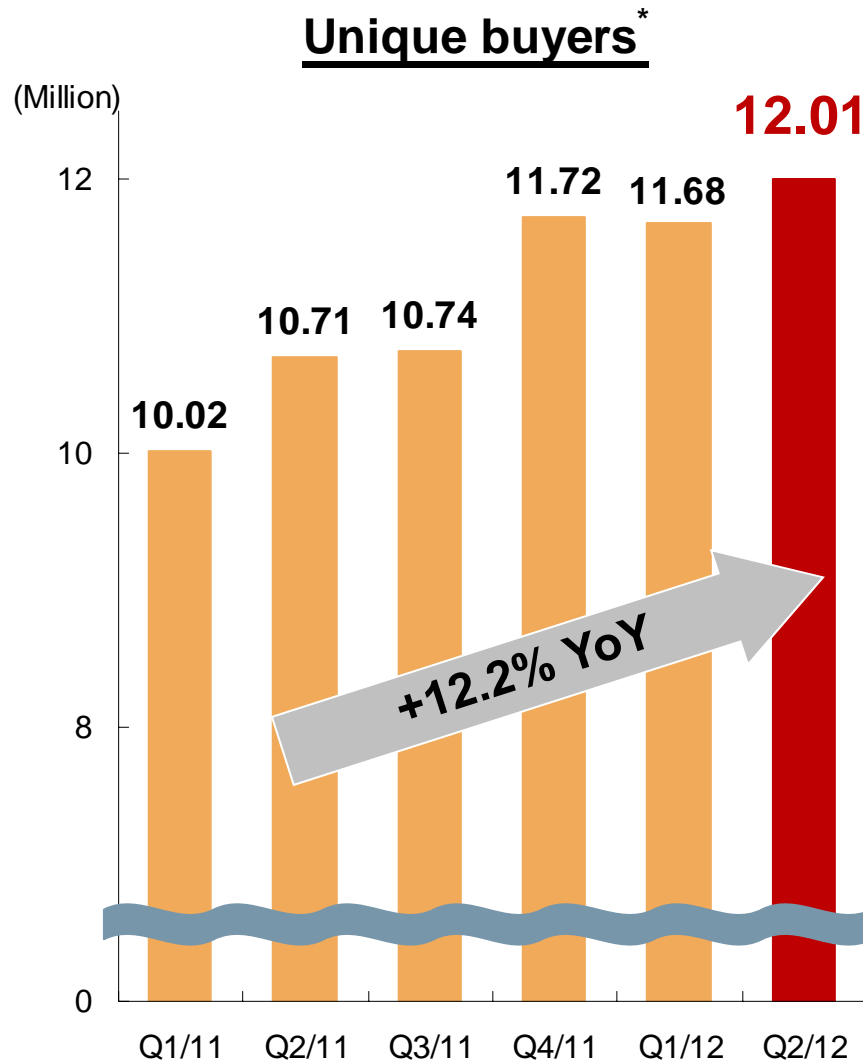
- Domestic E-Commerce GMS: +14.1% YoY, Q2/10 - Q2/12 CAGR: +16.6% YoY
- Rakuten Ichiba and Books: +12.5% YoY, Q2/10 - Q2/12 CAGR: +16.2% YoY



\*: 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, Dining and Salon (added from Q2/12)



# Rakuten Ichiba Unique Buyers\* and Transactions

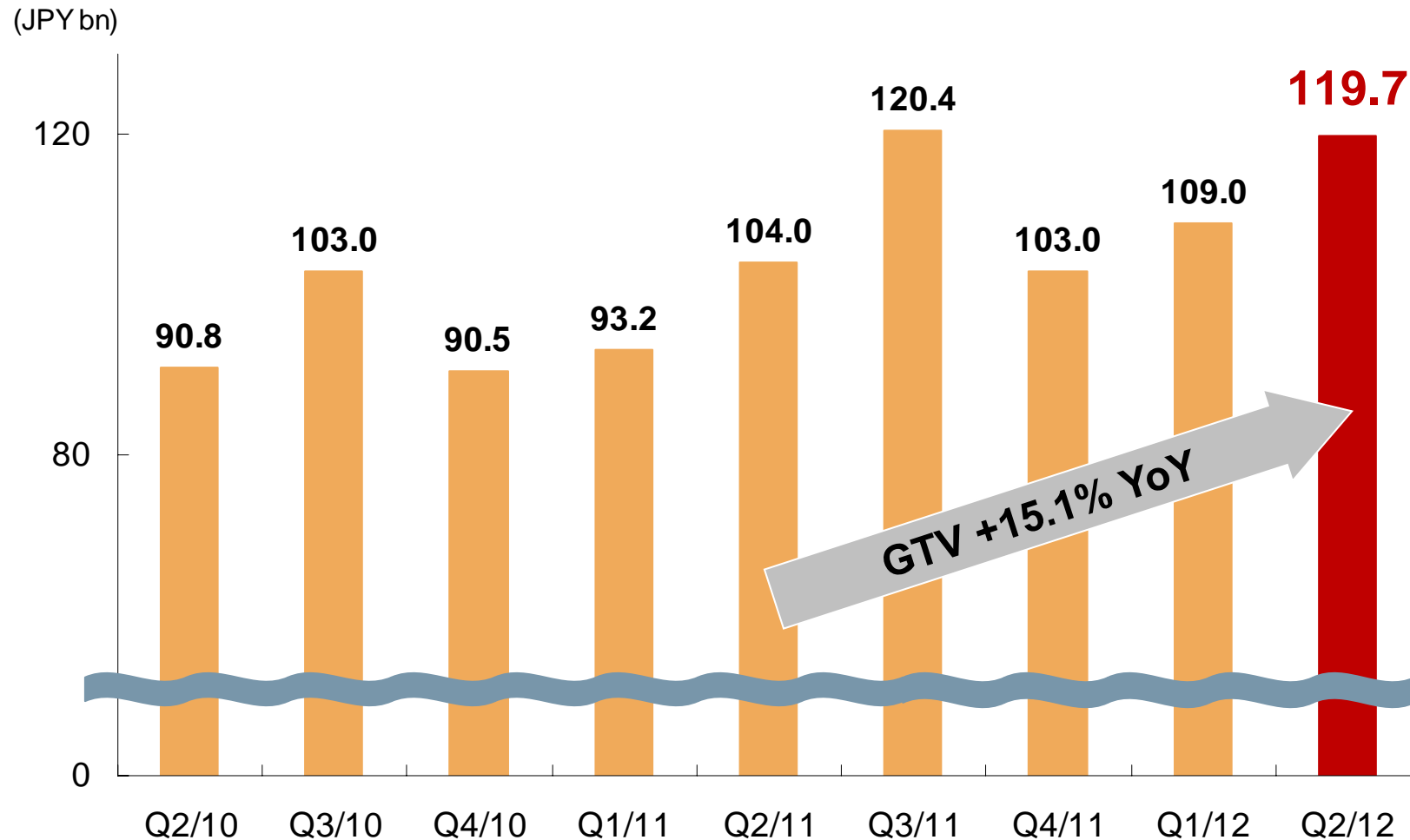


\*Unique Buyers: Number of buyers sorted by e-mail address with purchasing records during the listed 3 month period.

# Travel Business Gross Booking Transaction Value



■ Gross bookings (before cancellation)\*: +15.1% YoY



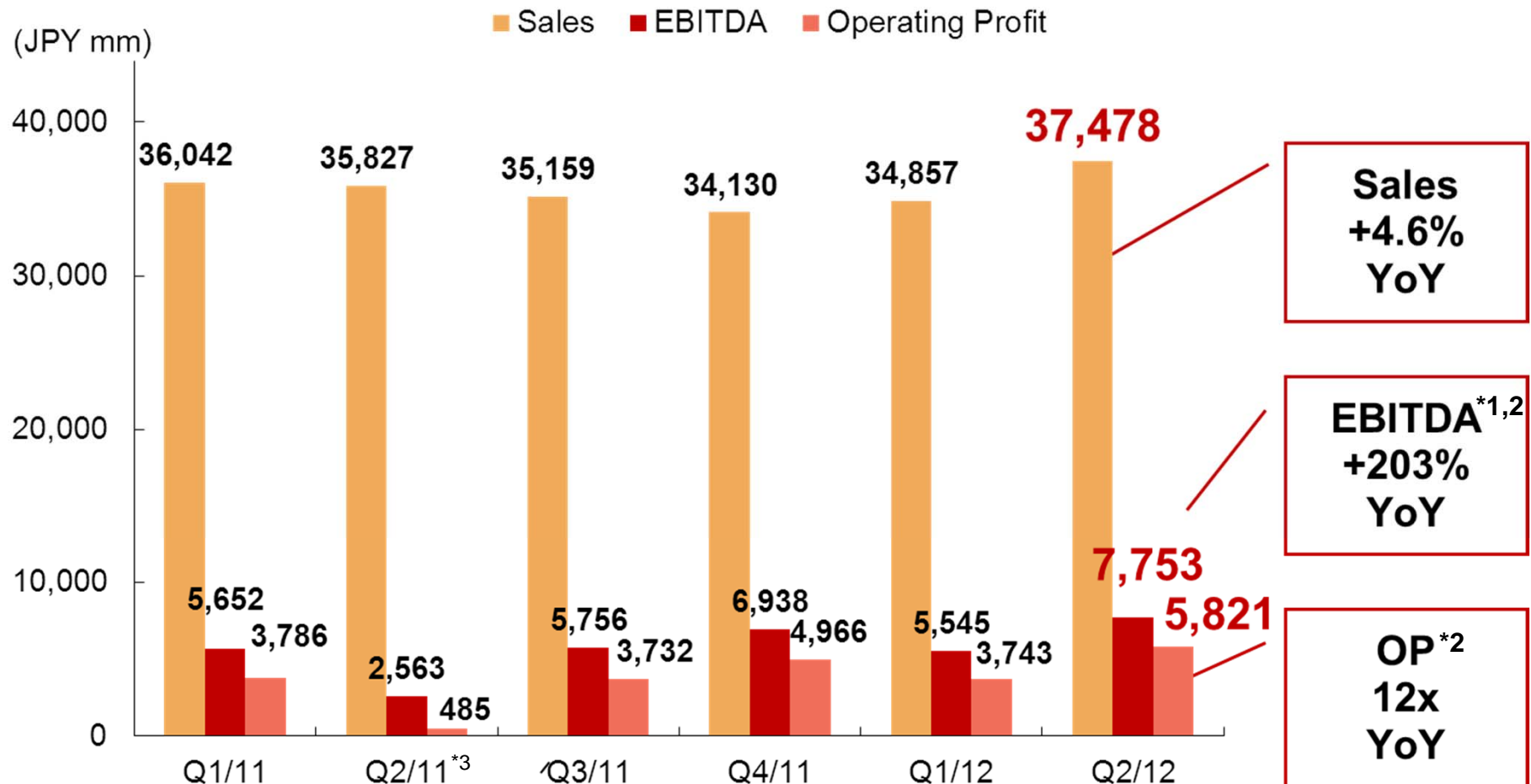
\*: Travel GTV = Booking base (before cancellation, excl. tax) transactions of Domestic / International accommodation booking, International air tickets, Domestic / International DP, Bus, Rent-a-car and pet hotel (retroactively added) services

## **5** Internet Finance

# Internet Finance Quarterly Results



- Entered into new stage, enabling both rapid new customer acquisition and profit growth



\*1: EBITDA = Ordinary Profit + Interest expense + Depreciation + Amortization of goodwill and intangible assets.

\*2: Profits in 2011 are after retrospective application of the change in accounting policy regarding loyalty points

\*3: Q2/11 operating profit is JPY 4,749mm after adjusting one-off operating expense at Rakuten KC of JPY 4,264 mm

### **Rakuten Card**



- Revenues of Rakuten Card business: +30.3% YoY
- Shopping transaction value and revolving balance kept high growth

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### **Rakuten Bank**



- Ordinary Profit: +25.3% YoY
- Strong growth of Super Loan business for individuals was a profit driver

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### **Rakuten Securities**



- Surpassed 100,000 users for “Money Bridge” accounts, a connecting service with Rakuten Bank.
- Started a new cumulative-type product for Gold & Platinum

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### **Rakuten Edy (E-Money)**

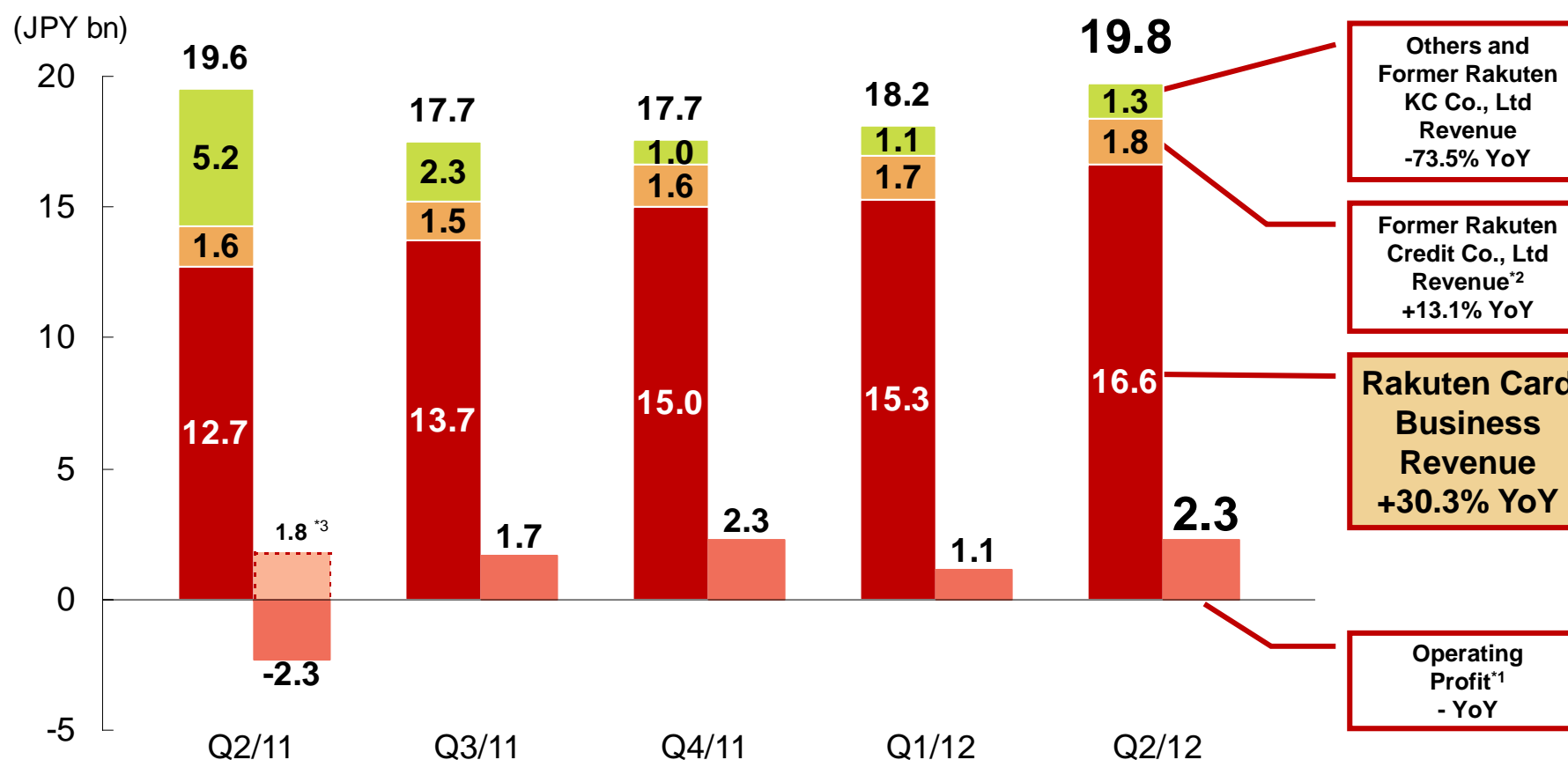


- Achieved second consecutive quarterly OP
- Brand change to “Rakuten Edy” brought new users

# Credit Card Business Revenue and OP\*1



- Top line growth of Rakuten Card driving profit expansion
- Marketing and other costs are under control



\*1: Operating profits in 2011 are after retrospective application of the change in accounting policy regarding loyalty points.

Up to Q3/11: Former Rakuten KC Co., Ltd plus former Rakuten Credit Co., Ltd. Since Q4/11: Rakuten Card Co., Ltd.

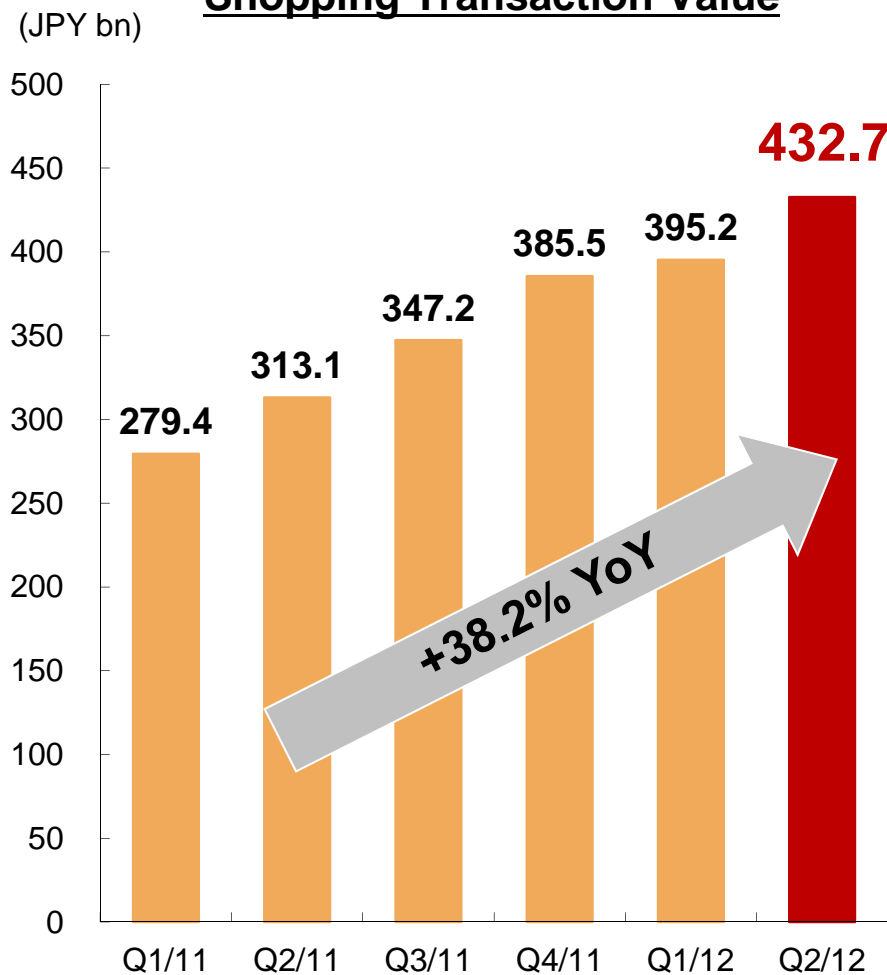
\*2: Since Q3/11, only guarantee charge for Rakuten Bank Super Loans

\*3: Q2/11 operating profit is JPY 1.8bn after adjusting for a JPY 4,264mm temporary expense due to provision for loss on interest repayments

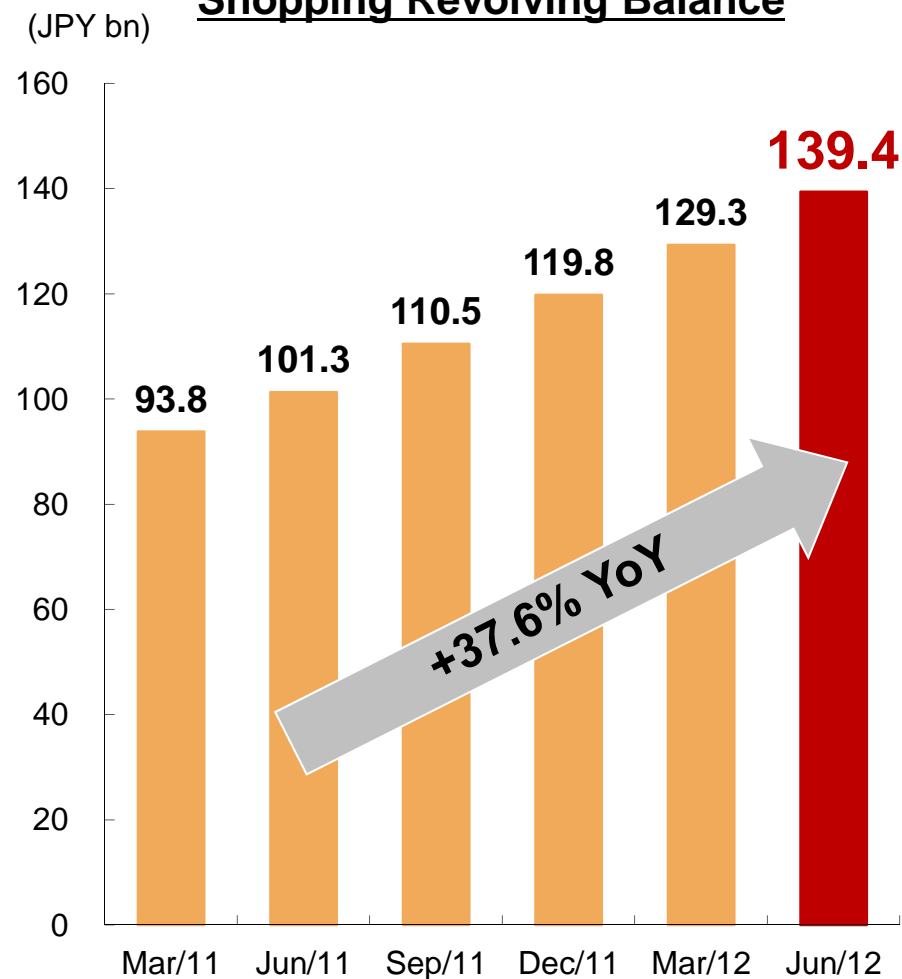
# Rakuten Card Shopping Transaction Value and Shopping Revolving Balance\*



Rakuten Card  
Shopping Transaction Value



Rakuten Card  
Shopping Revolving Balance

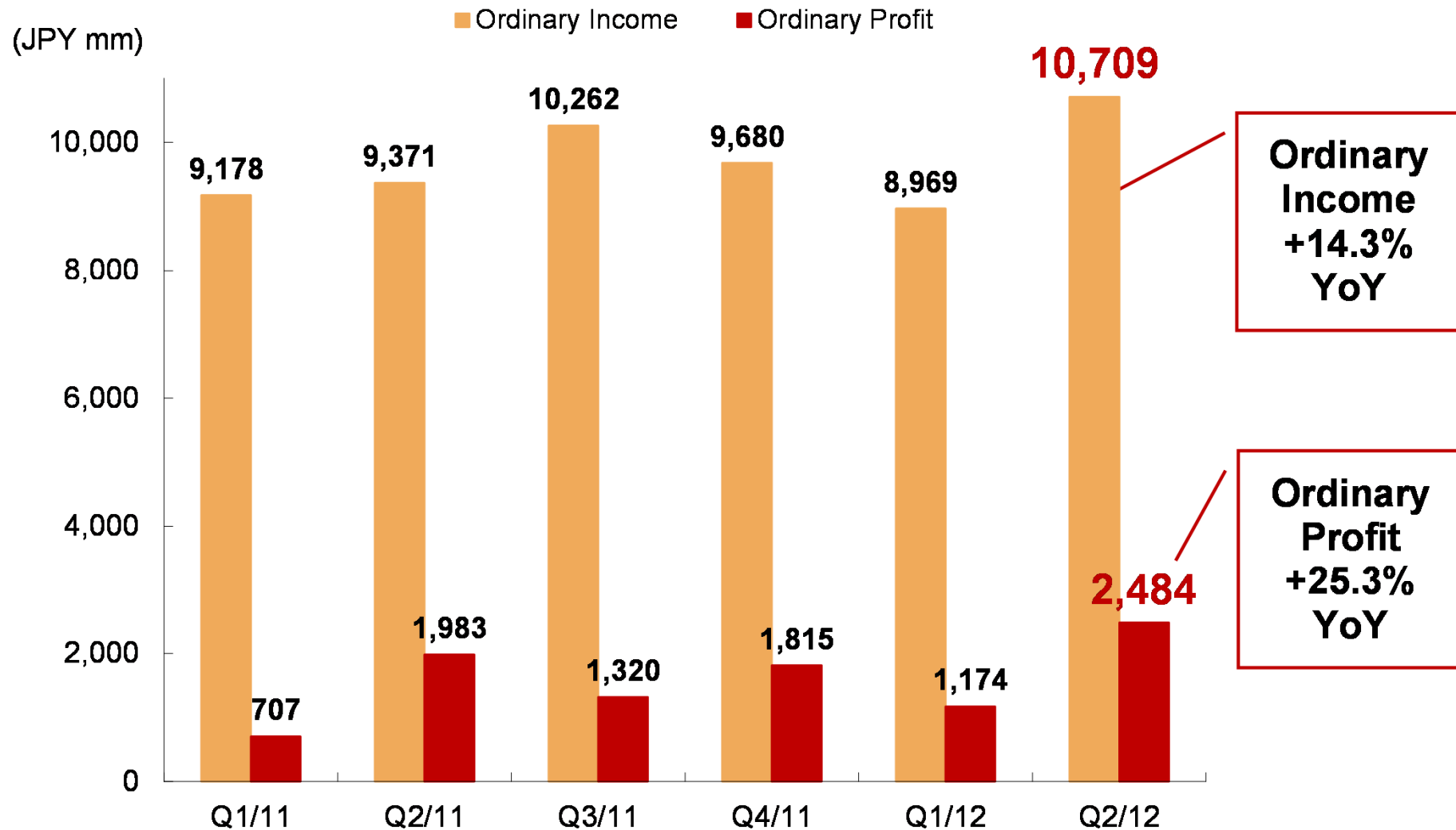


\* For figures of other credit cards, please refer to the appendix

# Rakuten Bank Quarterly Results



■ Growth of Super Loans contributed to profits. Recorded gains from sale of JGBs\*



\* Gaps in gains from sale of securities between Rakuten Bank and Rakuten consolidated results are included in "Adjustments" in the segment report

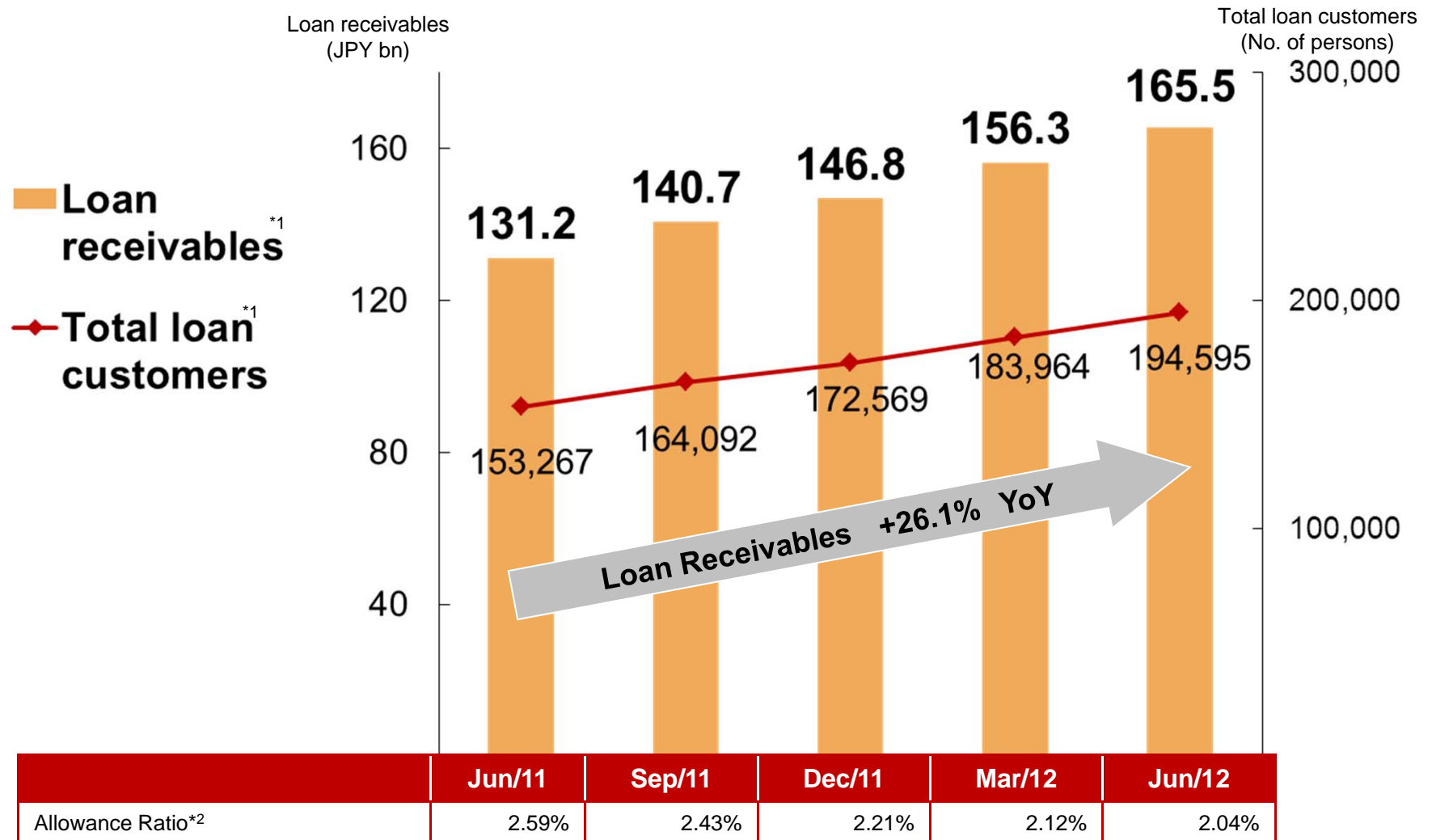
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# “Rakuten Bank Super Loan” Trends of Loan Receivables



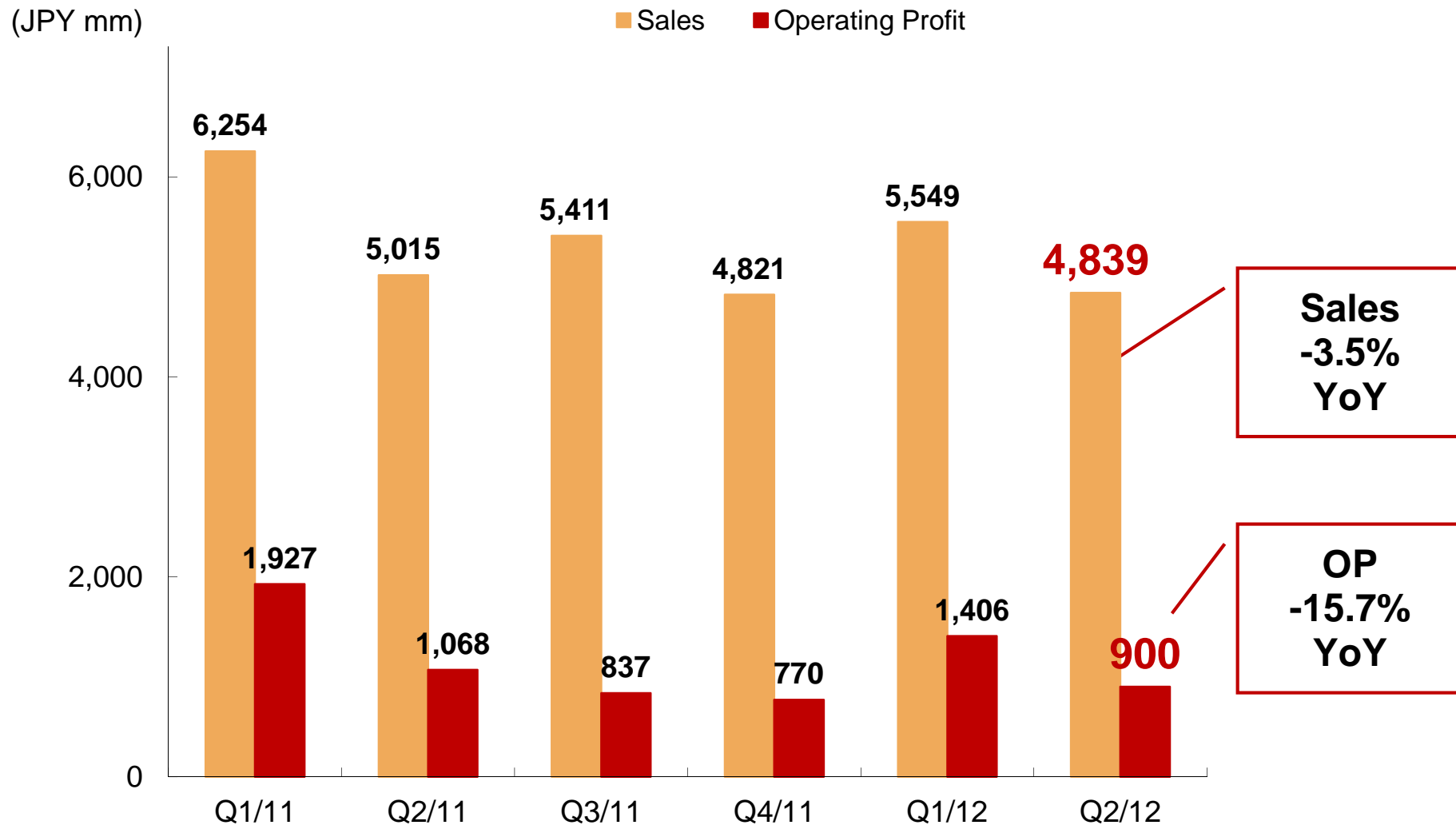
- Rapid growth of Loan Receivables: +26.1% YoY, while Allowance Ratio is decreasing



\*1: Loan Receivables, Total loan customers and Allowance ratio are total of Rakuten Bank and credit guarantee of Rakuten Card Co., Ltd.

\*2: Allowance Ratio = Balance of allowances for doubtful accounts ÷ Balance of loan receivables

# Rakuten Securities Quarterly Results\*



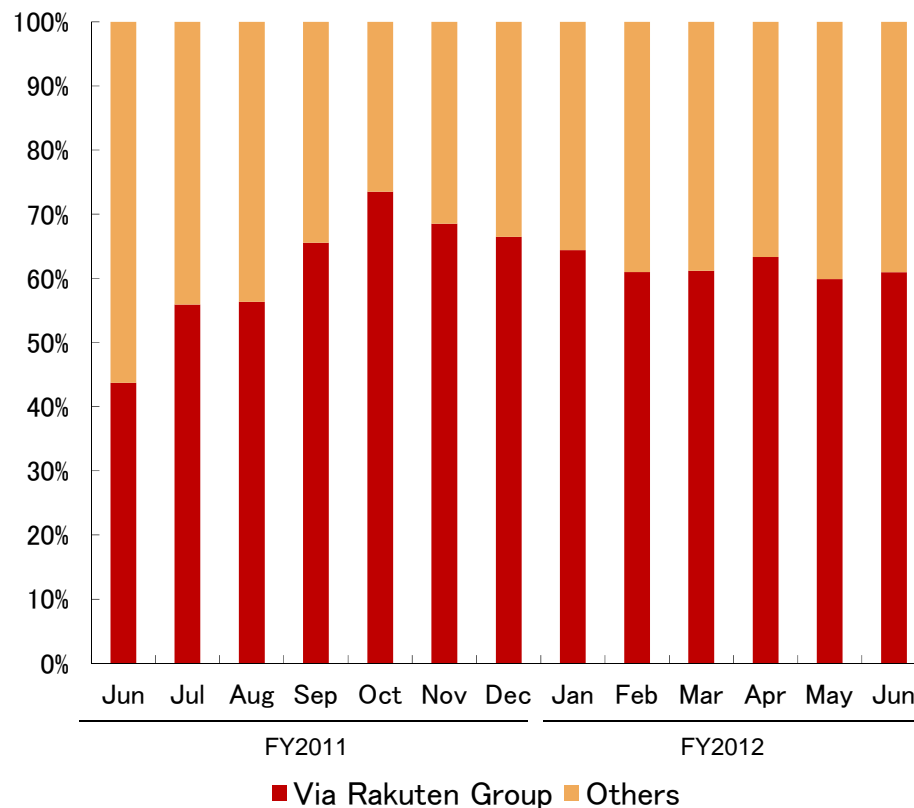
\*: Since Q3/11, consolidated financial results are shown. Up to Q2/11, on a non-consolidated basis.

# Rakuten Securities New Accounts / Ratio of Applications via Rakuten Group

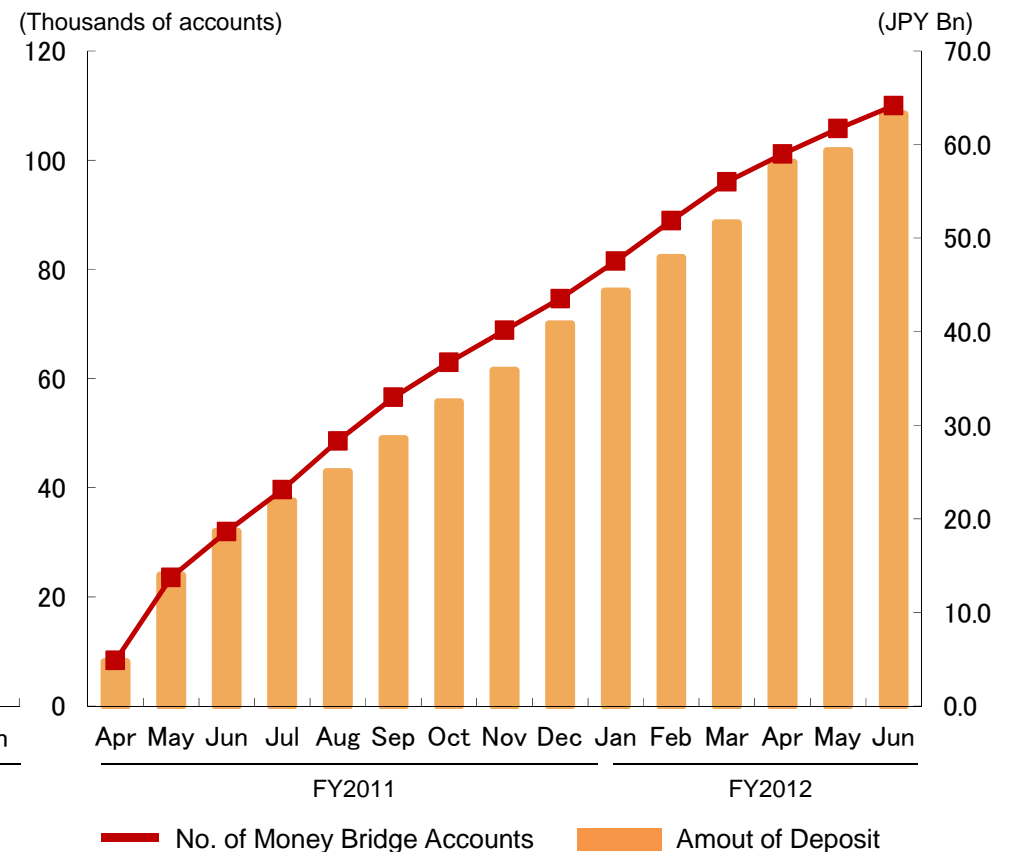


- Stable account acquisition from Rakuten Group, about 10,000 accounts per month
- Exceeded 100,000 users and JPY 60bn deposits through “Money Bridge” service

% of New Accounts from Rakuten Group



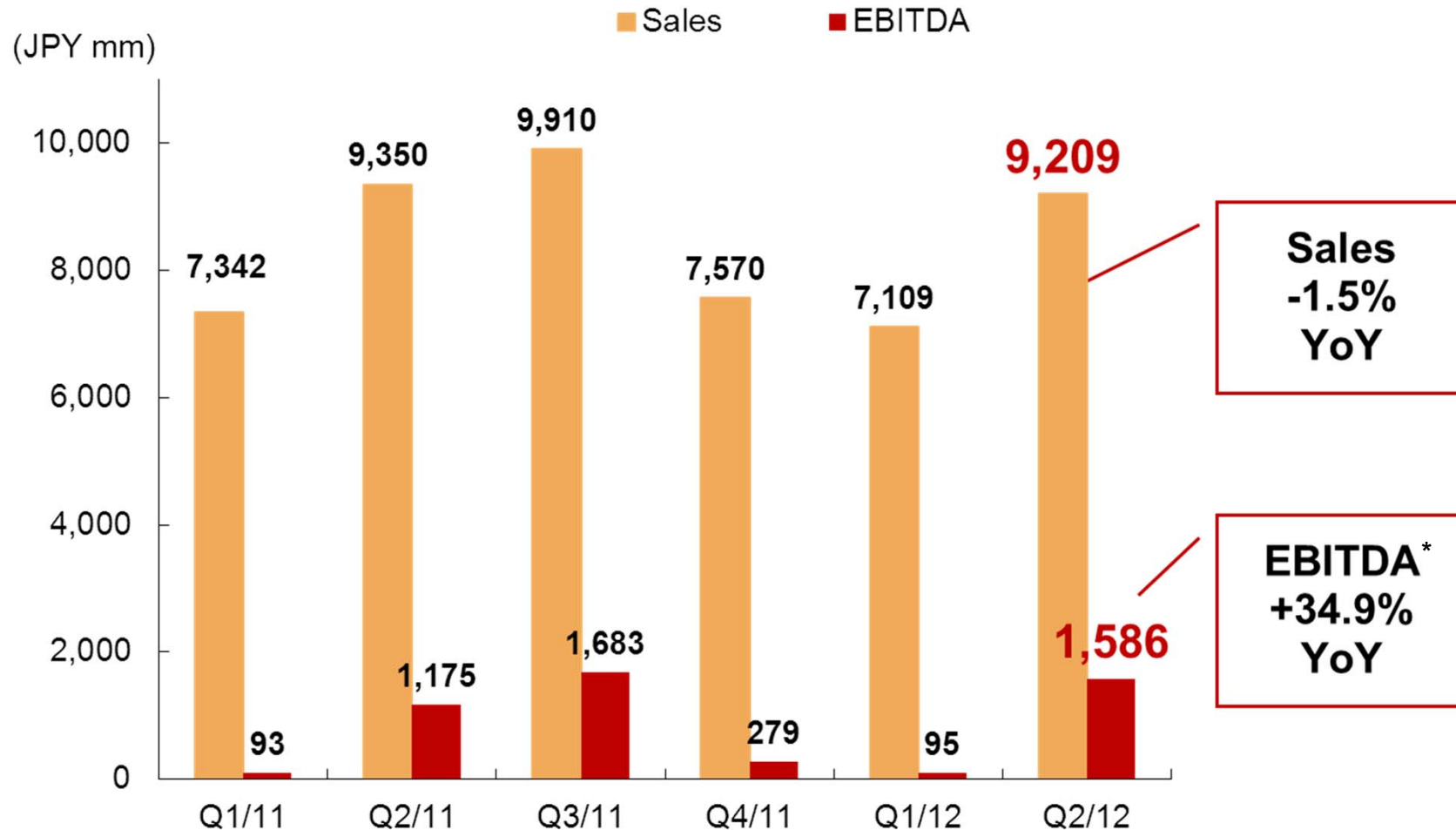
Money Bridge Users and Deposits



## **6 Others**

## Others Quarterly Results

- EBITDA growth: +34.9% YoY, contributed by increase in profits at IP Telephony and Professional Sports businesses



\*: EBITDA = Ordinary Profit + Interest expense + Depreciation + Amortization of goodwill and intangible assets.

### Fusion Communications (Telecom)



- Operating Profit: JPY 396mm, keeping good condition
- Launched public cloud service “FUSION Cloud” on April 27, based on our original technology

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### Rakuten Baseball



- Annual season tickets sales reached a record high
- Sponsorships and broadcasting sales staying in good shape

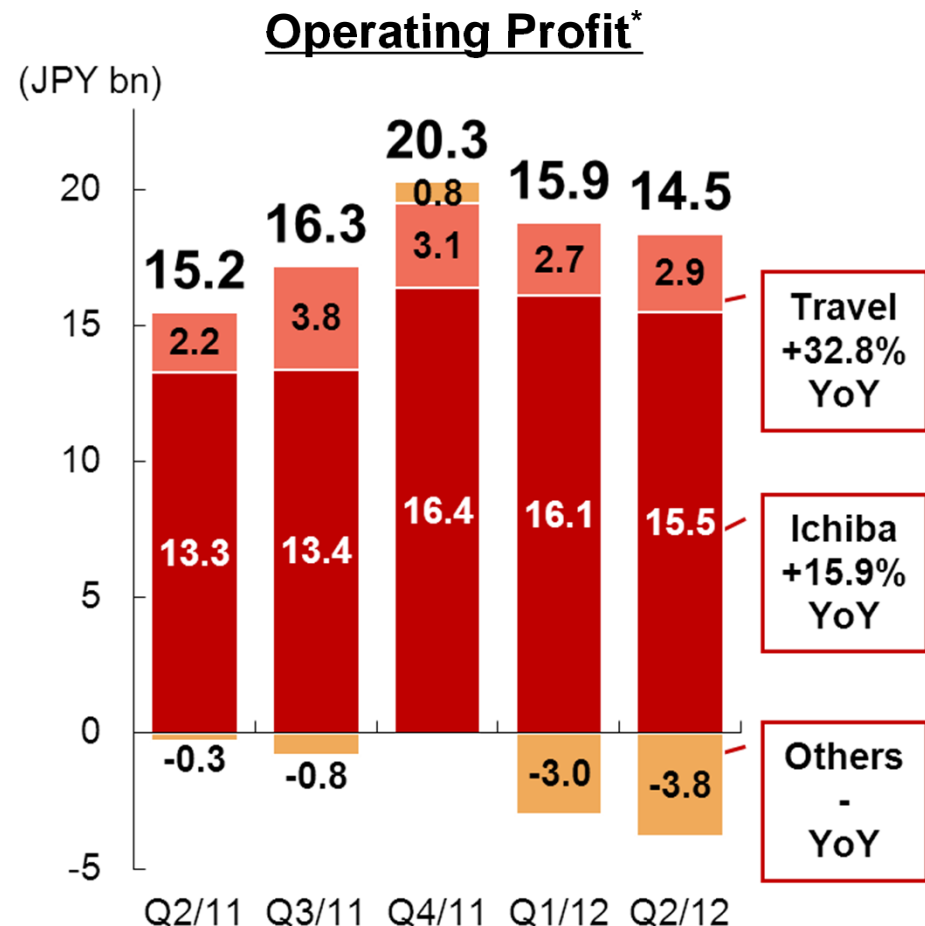
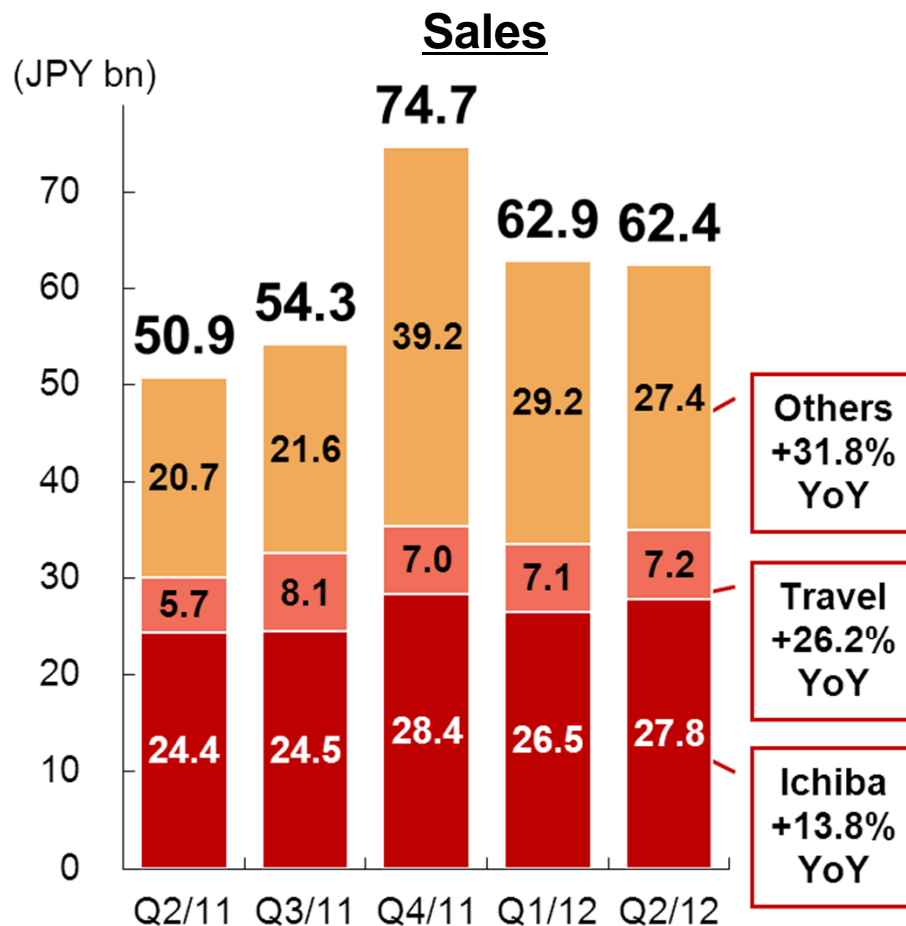
## **Appendix**

- Reference Information of Internet Services Segment and Consolidated Operating Expenses
- Financial Condition
- Other Information

## Internet Service Segment (Sales & OP)



- OP decreased YoY mainly due to new consolidation of Play.com and Kobo Inc.
- Main reason of difference in OP QoQ is increase in amortization of intangible assets at Kobo after PPA (see next page)



\*: Operating profits in 2011 are after retrospective application of the change in accounting policy regarding loyalty points

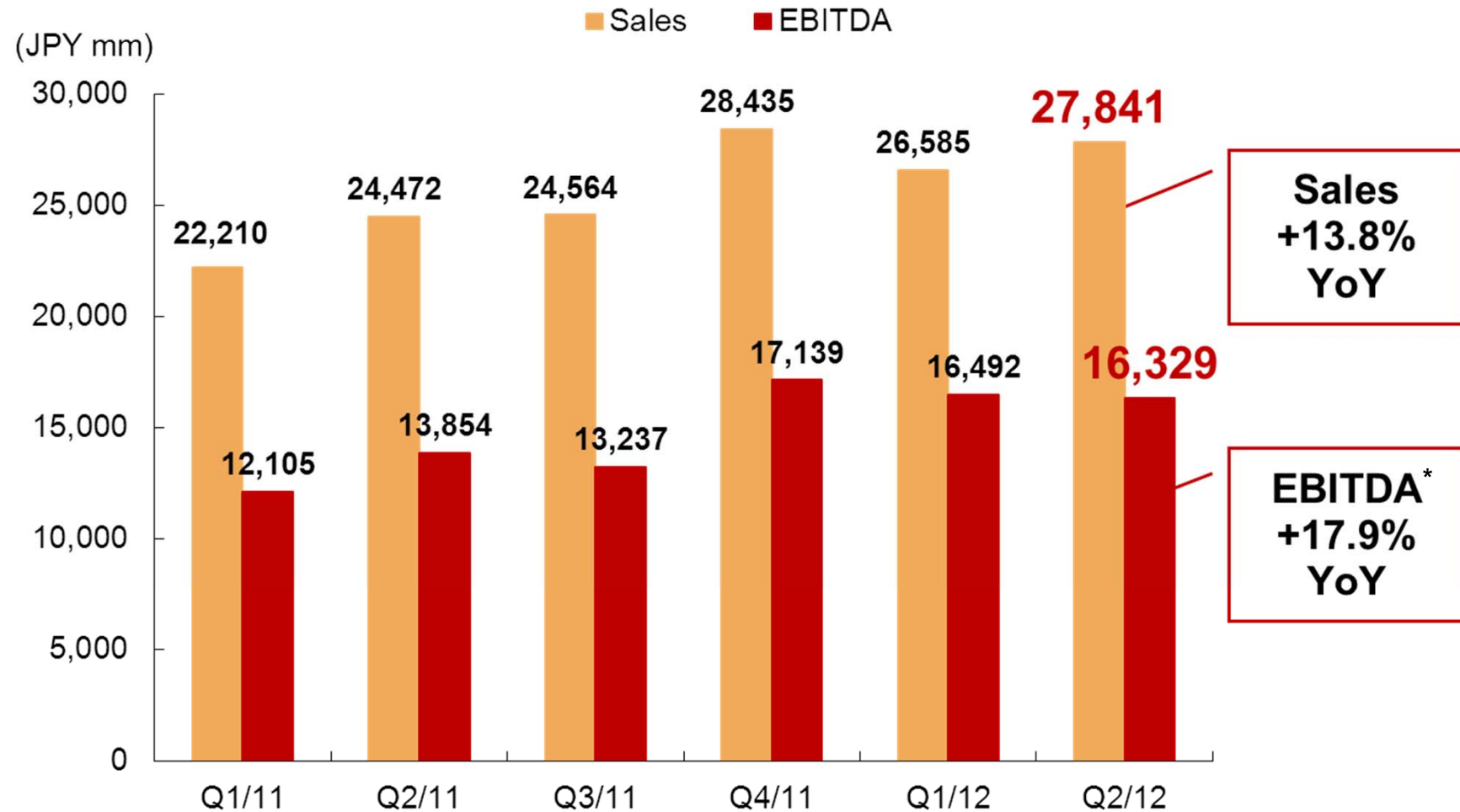


- At the acquisition of Kobo, before completion of asset evaluation process, Rakuten temporarily recognized the difference between acquisition price and book value as goodwill in Q1.
- In accordance with standards of purchase price allocation, Rakuten, upon the advice of our auditors, identified value and recognized intangible assets replacing goodwill.
- Compared to time periods for goodwill (20 years), amortization periods for intangible assets are generally shorter, which resulted in increase of non-cash amortization cost in Q2 compared to Q1.
- While amortization of goodwill was booked in 'Adjustments' in Q1, amortization of intangible assets was booked within the 'Internet Services' segment in Q2.

# Rakuten Ichiba Quarterly Results



■ Sales: +13.8% YoY, EBITDA: +17.9% YoY

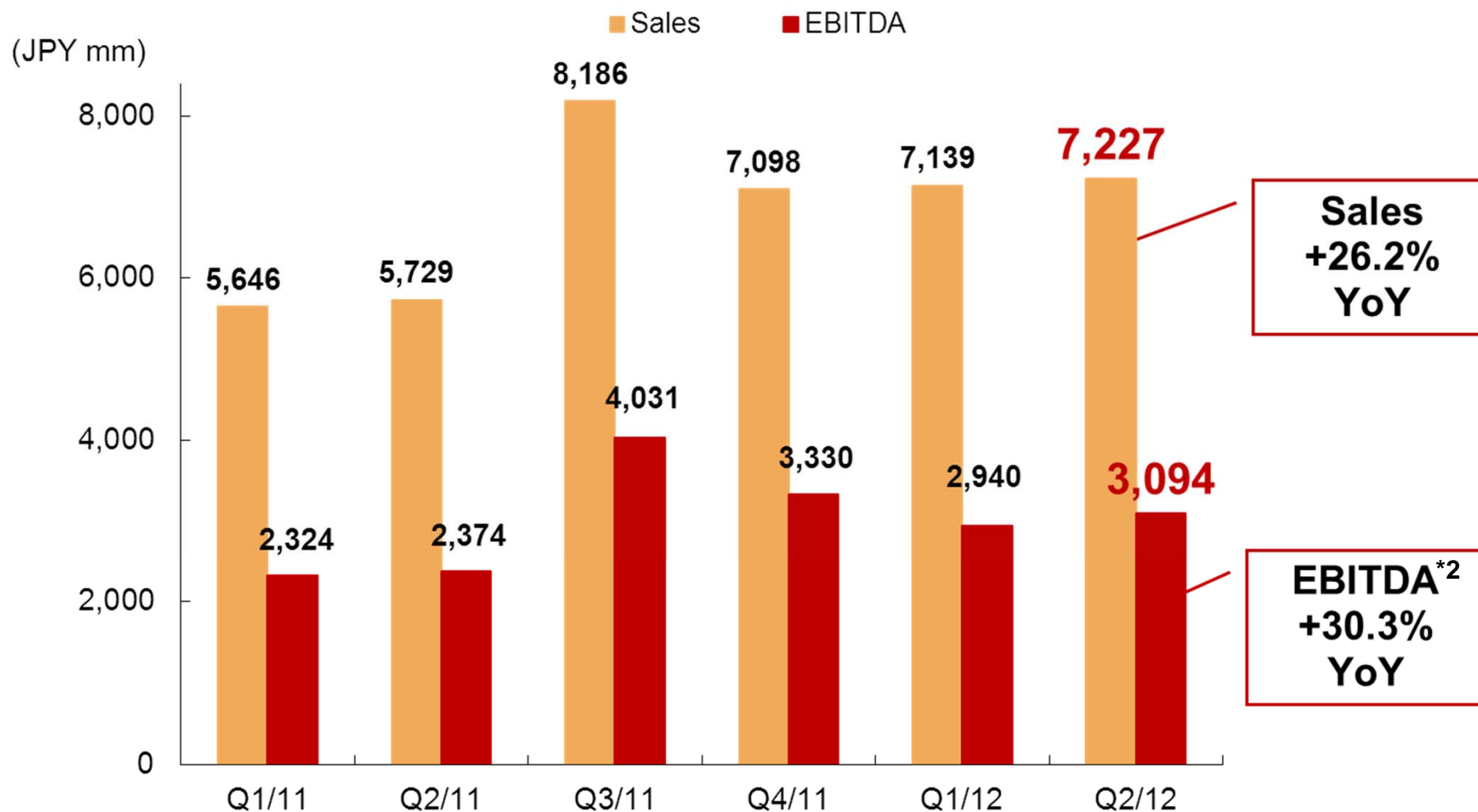


\*: EBITDA = Ordinary Profit + Interest expense + Depreciation + Amortization of goodwill and intangible assets.  
EBITDA in 2011 is after retrospective application of the change in accounting policy regarding loyalty points

# Travel Business Quarterly Results\*1



■ Travel Business (including overseas branches) are growing favorably



\*1: Financial results of Rakuten Travel, Inc., bus services and overseas branches

\*2: EBITDA = Ordinary Profit + Interest expense + Depreciation + Amortization of goodwill and intangible assets

# Consolidated Operating Expenses



- Part of advertisement costs was reclassified from cost of sales to advertisement and promotion expenses in SG&A expenses in Q4/11. This treatment resulted in YoY increase of advertisement expenses in Q1/12.
- Despite this reclassification, cost of sales increased YoY in Q1/12, mainly due to consolidation of new subsidiaries.

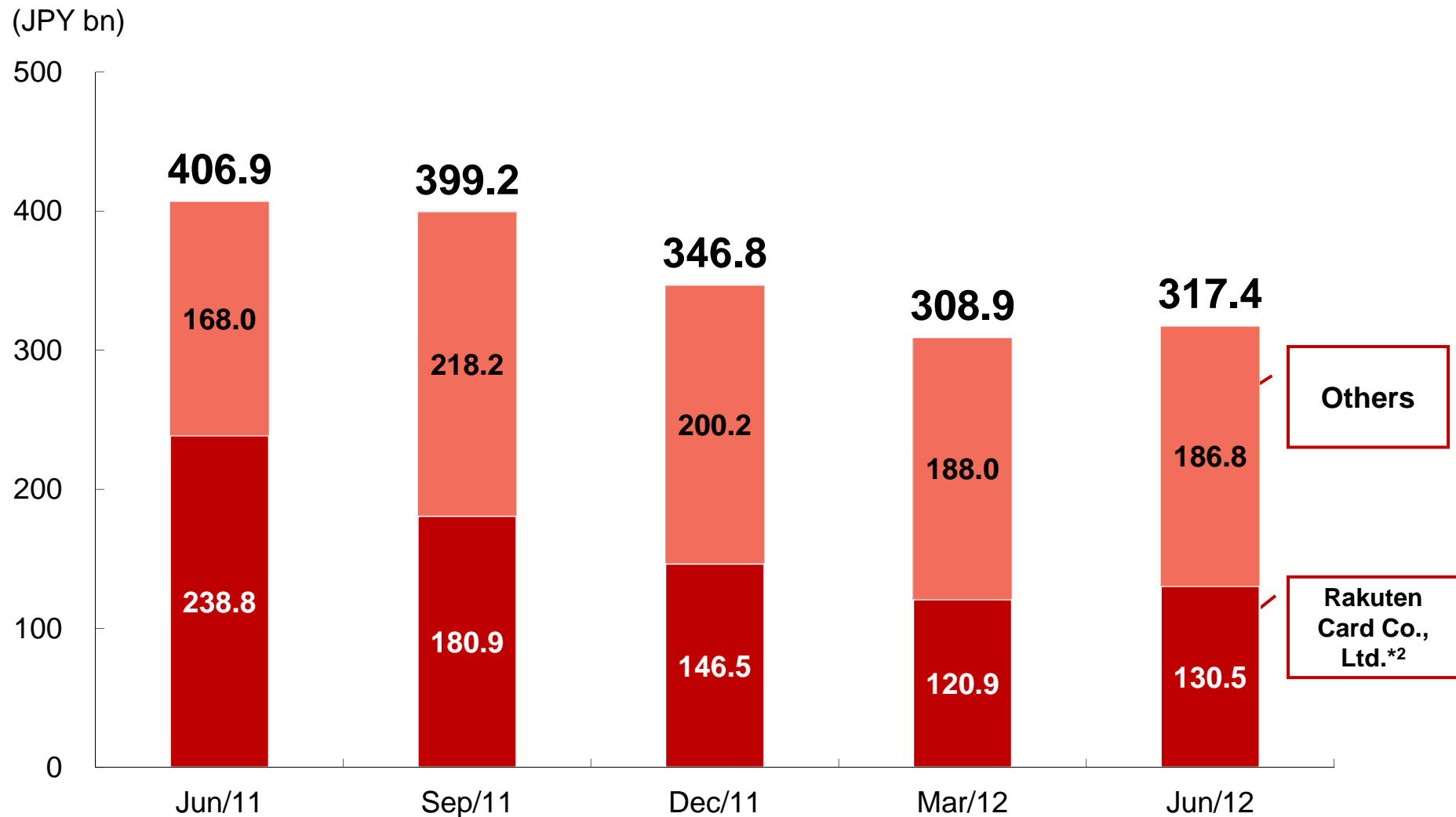
(JPY MM)

	2011 (Apr-Jun) Reported	2012 (Apr-Jun) Reported	Change	Major Factors
<b>Net sales</b>	<b>90,724</b>	<b>101,821</b>	<b>11,097</b>	
<b>Cost of sales</b>	<b>18,187</b>	<b>19,805</b>	<b>1,618</b>	New Consolidation: Play, Kobo
<b>Gross profit</b>	<b>72,536</b>	<b>82,016</b>	<b>9,480</b>	
<b>Selling, general and administrative expenses</b>	<b>58,212</b>	<b>63,974</b>	<b>5,762</b>	
Point costs	2,705	3,187	482	
Advertisement and promotion expenses	7,229	12,454	5,225	Reclassified from cost of sales: +2,242
Personnel expenses	13,681	14,645	964	
Provision for bonuses	550	210	-340	
Depreciation	3,820	5,040	1,220	
Communications and maintenance expenses	3,694	3,771	77	
Outsourcing expenses	6,008	7,326	1,318	
Expenses for doubtful accounts	3,968	2,628	-1,340	
<b>Operating profit</b>	<b>14,324</b>	<b>18,042</b>	<b>3,718</b>	



## Financial Condition

## Financial Institutions Debt\*<sup>1</sup> Trend



\*1: Debt from outside financial institutions = Bonds + CP + short-term debt + long-term debt

\*2: Result for Jun/11 is former Rakuten KC

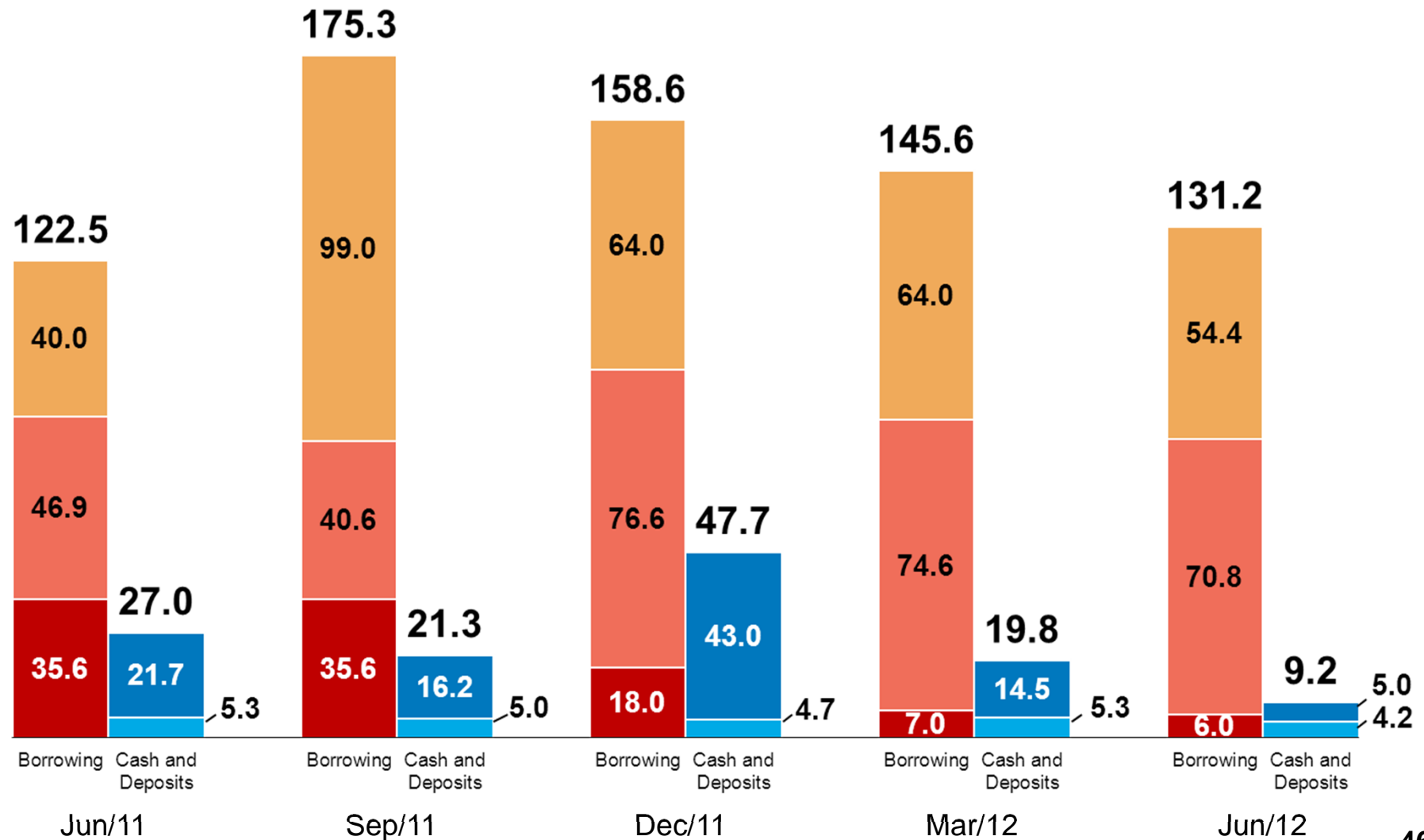
# Rakuten, Inc. (Non-consolidated)

## Debt and Cash



(JPY bn)

■ Working capital ■ M&A ■ Investment and lending to Card biz. ■ Cash and Deposits ■ NCD



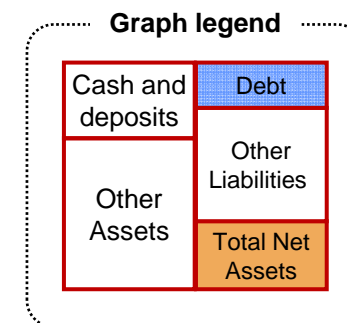
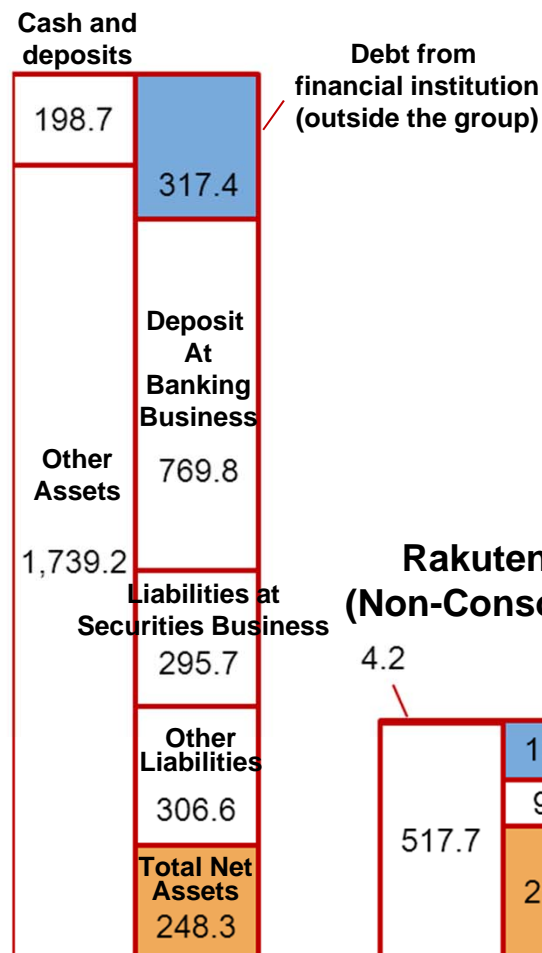
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# Rakuten Group : Balance Sheets (As of June 30, 2012)



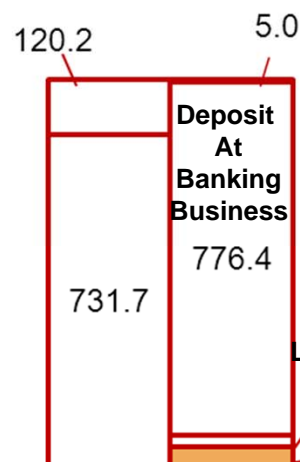
## Rakuten Group (Consolidated)

(JPY bn)

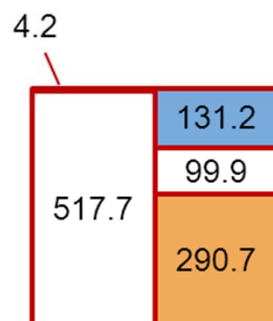


## Rakuten Bank (Consolidated)

\*JPY5.0bn of borrowing at Rakuten Bank is from Rakuten, Inc.

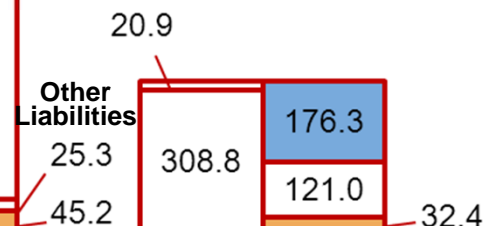


## Rakuten, Inc. (Non-Consolidated)



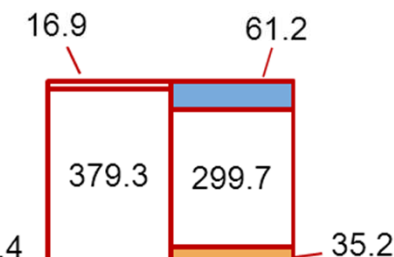
## Rakuten Card Co., Ltd.

\*JPY45.8bn of borrowing at Rakuten Card is from Rakuten Group



## Rakuten Securities (Non-Consolidated)

\*JPY10.0bn of borrowing at Rakuten Securities is from Rakuten Group



**Total Assets**  
1,938.0

**Total Assets**  
521.9

**Total Assets**  
852.0

**Total Assets**  
329.8

**Total Assets**  
396.2

\*: Rakuten Securities (non-consolidated), Rakuten Card Co., Ltd. , Rakuten, Inc. (non-consolidated) and Rakuten Bank also including internal elimination

\*: Debt = Corporate bonds + CP + Short-term borrowings + Long-term borrowings



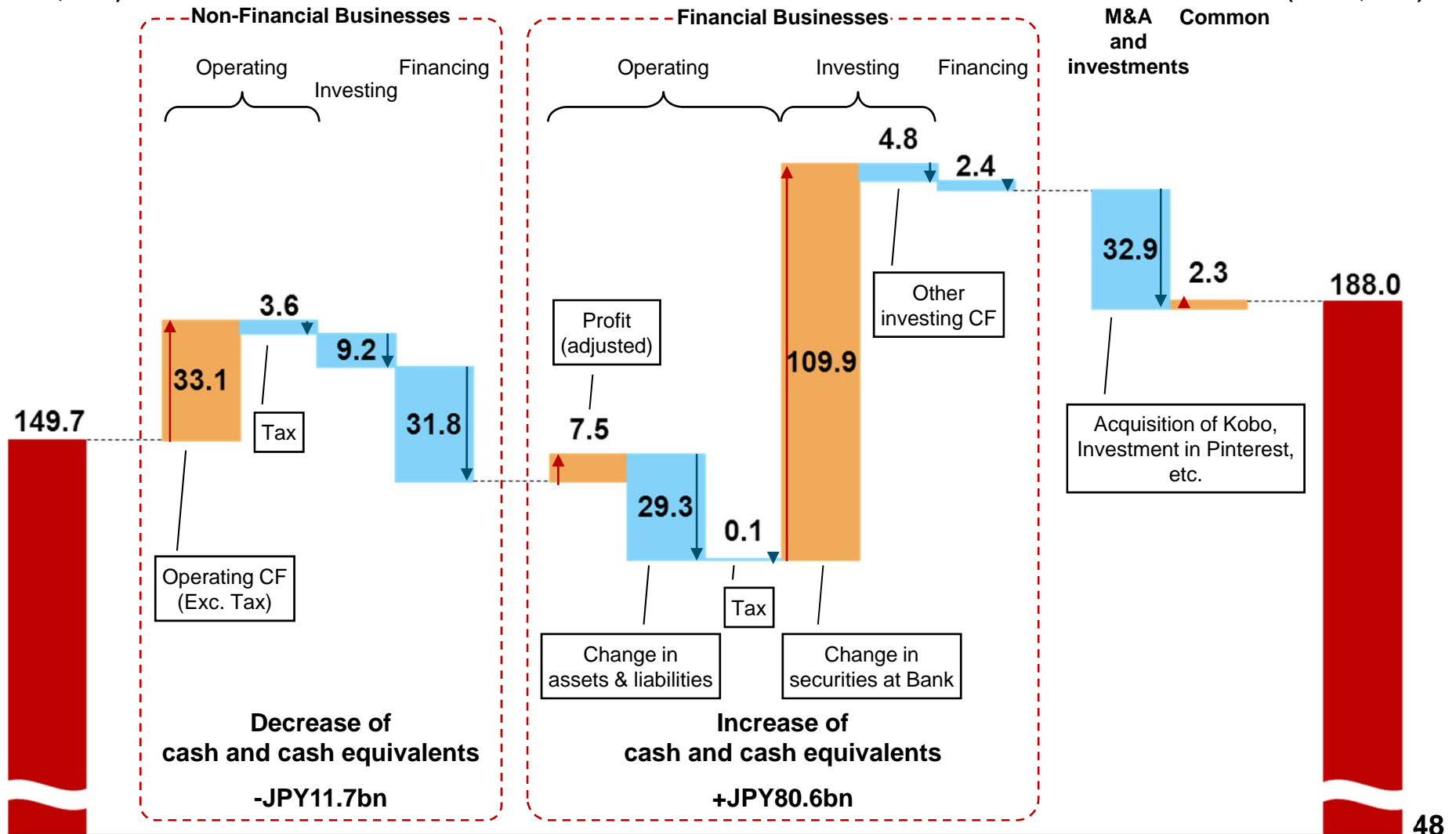
# Cash Flow Breakdown : Jan - Jun 2012



(JPY bn)

**Beginning**  
(Dec 31, 2011)

**End**  
(Jun 30, 2012)



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# Breakdown of Cash Flow by Financial Businesses and Non-financial Businesses : Jan-Jun, 2012 (1)



(JPY bn)

Overview of cash flow statements for 1st half of 2012	Consolidated	Financial	Non-Financial	Common
Income (loss) before income taxes and minority interests	33.1	5.5	27.6	-
Depreciation and amortization	10.1	3.4	6.7	-
Amortization of goodwill	3.8	1.2	2.6	-
Increase (decrease) in allowance for doubtful accounts	(2.3)	(2.6)	0.3	-
Other loss (gain)	1.9	-	-	1.9
Decrease (increase) in notes and accounts receivable - trade	5.8	0.0	5.8	-
Decrease (increase) in accounts receivable - installment	(26.8)	(26.8)	-	-
Decrease (increase) in beneficial interests in securitized assets	(26.8)	(26.8)	-	-
Decrease (increase) in operating loans receivable	(2.1)	(2.1)	-	-
Increase (decrease) in notes and accounts payable - trade	(7.5)	(1.2)	(6.3)	-
Increase (decrease) in deposits for banking business	28.3	28.3	-	-
Decrease (increase) in call loans for banking business	23.0	23.0	-	-
Decrease (increase) in loans for banking business	(17.2)	(17.2)	-	-
Decrease (increase) in operating assets for securities business	(23.7)	(23.7)	-	-
Increase (decrease) in operating liabilities for securities business	1.1	1.1	-	-
Increase (decrease) in borrowings secured by securities for securities business	8.3	8.3	-	-
Other - net	3.7	7.0	(3.2)	-
<b>Subtotal</b>	<b>12.9</b>	<b>(22.5)</b>	<b>33.5</b>	<b>1.9</b>
Income taxes paid	(5.8)	(0.1)	(5.6)	-
Income taxes refund	1.9	-	1.9	-
Other - net	0.3	0.7	(0.4)	-
<b>I Net cash provided by (used in) operating activities</b>	<b>9.4</b>	<b>(21.9)</b>	<b>29.4</b>	<b>1.9</b>

\*: Breakdown between financial and non-financial businesses are based on internal estimation and not reviewed by independent auditors.

# Breakdown of Cash Flow by Financial Businesses and Non-financial Businesses : Jan-Jun, 2012 (2)



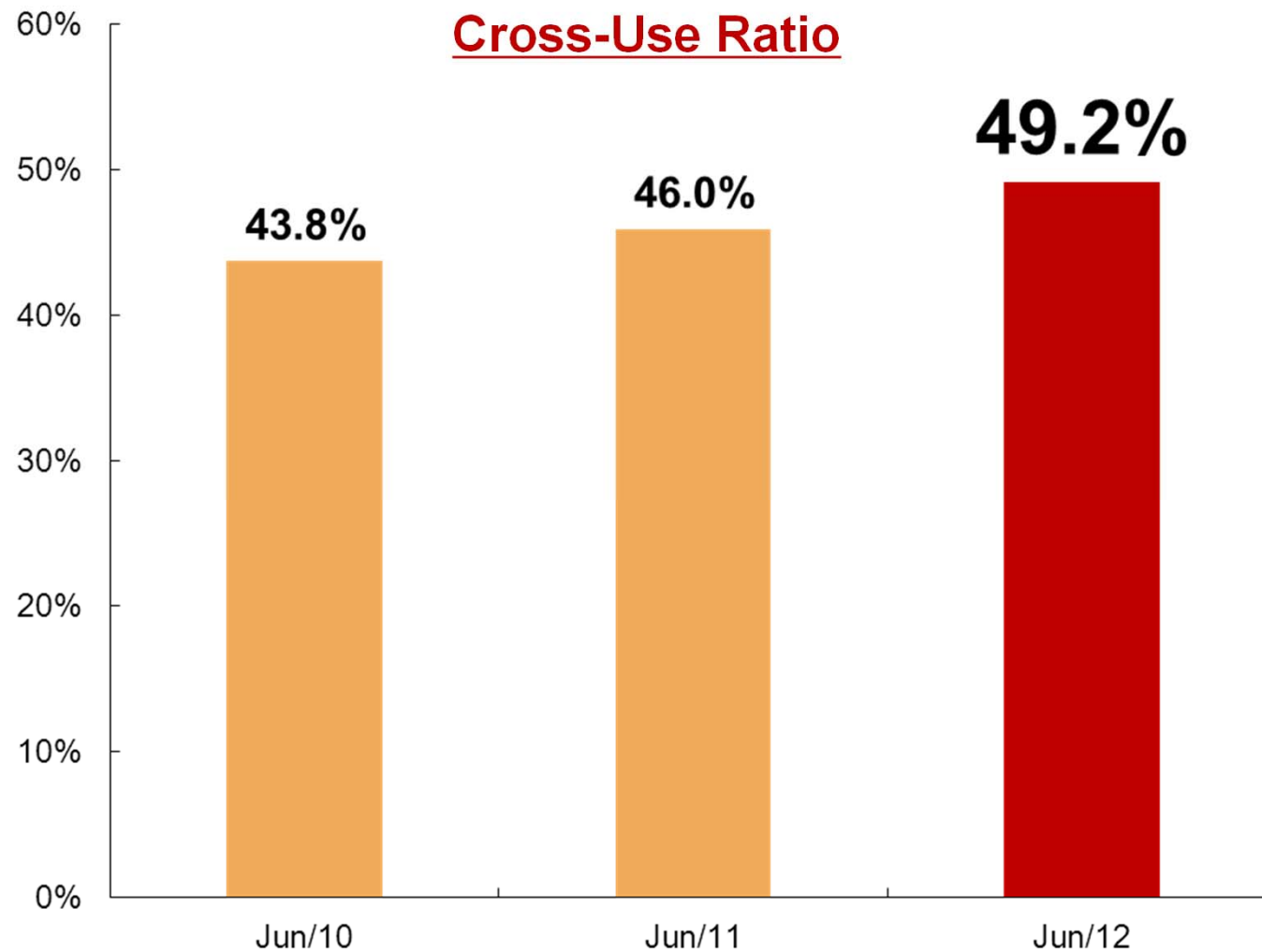
(JPY bn)

Overview of cash flow statements for 1st half of 2012	Consolidated	Financial	Non-Financial	Common
Purchase of securities for banking business	(146.0)	(146.0)	-	-
Proceeds from sales and redemption of securities for banking business	256.0	256.0	-	-
Purchase of property, plant and equipment	(2.7)	(0.4)	(2.2)	-
Purchase of intangible assets	(9.0)	(2.9)	(6.1)	-
Purchase of investment securities	(7.4)	(2.1)	(5.3)	-
Purchase of investments in subsidiaries	(6.1)	-	(6.1)	-
Purchase of subsidiaries stocks with change in consolidation	(22.0)	-	(22.0)	-
Proceeds from purchase of subsidiaries stocks with change in consolidation	0.5	-	0.5	-
Other payments	(8.3)	(6.7)	(1.5)	-
Other proceeds	7.8	7.4	0.3	-
Interest and dividends received	0.2	-	0.2	-
<b>II Net cash provided by (used in) investing activities</b>	<b>62.8</b>	<b>105.1</b>	<b>(42.2)</b>	<b>-</b>
Net increase (decrease) in short-term loans payable	(5.3)	8.3	(13.6)	-
Increase (decrease) in commercial papers	14.0	10.0	4.0	-
Proceeds from long-term loans payable	0.1	0.1	-	-
Repayment of long-term loans payable	(36.4)	(20.8)	(15.6)	-
Redemption of bonds	(2.4)	-	(2.4)	-
Interest paid	(0.8)	-	(0.8)	-
Cash dividends paid	(3.2)	-	(3.2)	-
Other - net	(0.1)	(0.1)	(0.0)	-
<b>III Net cash provided by (used in) financing activities</b>	<b>(34.3)</b>	<b>(2.4)</b>	<b>(31.8)</b>	<b>-</b>
IV Effect of exchange rate change on cash and cash equivalents	0.0	-	-	0.0
<b>V Net increase (Decrease) in cash and cash equivalents</b>	<b>38.0</b>	<b>80.6</b>	<b>(44.6)</b>	<b>2.0</b>
VI Cash and cash equivalents (as of December 31, 2011)	149.7	-	-	-
VII Cash and cash equivalents from newly consolidated subsidiaries	0.2	-	-	-
VIII Cash and cash equivalents (as of June 30, 2012)	188.0	-	-	-

\*: Breakdown between financial and non-financial businesses are based on internal estimation and not reviewed by independent auditors.



## Other Information



\*: Purchasing ratio of Rakuten members who have utilized other Rakuten services during the past 12 months of the listed month.  
Applicable services are limited to those which can earn Rakuten Super Points (excl. Securities)

## Amortization of Goodwill\*



(JPY mm)

	Q2/11	Q3/11	Q4/11	Q1/12	Q2/12
Internet Finance	825	677	841	597	597
Internet Services	1,023	1,138	1,280	1,413	1,188
Others	41	41	41	41	41
<b>Total</b>	<b>1,890</b>	<b>1,858</b>	<b>2,164</b>	<b>2,053</b>	<b>1,827</b>

\* Amortization of goodwill is included in SG&A expenses. Amortization of negative goodwill is included in non-operating revenue.

# Rakuten Group's CAPEX\*



(JPY bn)

		2011				2012	
		Q1	Q2	Q3	Q4	Q1	Q2
Non Consolidated	Hardware	0.53	0.39	0.19	0.19	0.69	0.52
	Software	1.84	1.51	1.48	1.79	1.83	2.37
	Total	2.37	1.90	1.67	1.99	2.53	2.89
Consolidated	Hardware	1.63	1.09	0.74	1.13	1.61	1.33
	Software	4.44	3.23	3.88	3.86	4.25	5.49
	Total	6.07	4.32	4.62	5.00	5.86	6.82

\* Acquisition Base (Including Professional Sports Business) and using straight-line method of depreciation.

# Rakuten, Inc. (non-consolidated) B/S and P/L Rakuten

## ■ Balance Sheets

As of Jun 30, 2012

(JPY bn)

<b>CURRENT ASSETS</b>	<b>94.6</b>	<b>CURRENT LIABILITIES</b>	<b>117.8</b>
Cash and deposits	4.2	Account payable-trade	2.9
Accounts receivable-trade	35.6	Short-term debts and Loans	21.0
Other current assets	55.1	Accounts payable	20.1
Allowance for doubtful accounts	-0.4	Income taxes payable	0.3
		Reserve for point program	22.0
		Other current liabilities	51.3
		<b>LONG-TERM LIABILITIES</b>	<b>113.3</b>
		(Long-term debts and Loans)	110.2
		<b>TOTAL LIABILITIES</b>	<b>231.2</b>
<b>NONCURRENT ASSETS</b>	<b>427.3</b>	<b>SHAREHOLDERS' EQUITY</b>	<b>288.5</b>
Property, plant and equipment	6.7	Capital stock	108.1
Intangible assets	16.0	Capital surplus	116.9
Investment and other assets	404.5	Retained earnings	67.1
(Allowance for doubtful accounts)	-0.9	Treasury stock	-3.6
(Allowance for investment loss)	-1.4	<b>VALUATION AND TRANSLATION ADJUSTMENTS</b>	<b>0.8</b>
		Valuation difference on available-for-sale securities	0.8
		deferred gains or losses on hedges	0.0
		Subscription rights to shares	1.2
		<b>TOTAL NET ASSETS</b>	<b>290.7</b>
<b>TOTAL ASSETS</b>	<b>521.9</b>	<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>521.9</b>

## ■ Income Statements

Three months ended Jun 30, 2012

(JPY bn)

<b>Sales</b>	<b>39.1</b>
<b>Cost of Sales</b>	<b>6.3</b>
Gross Profit	<b>32.7</b>
<b>Operating Expense</b>	<b>17.0</b>
Personnel costs	6.0
Advertising and sales promotion	5.0
Depreciation	1.5
Communication and maintenance	1.1
Outsourcing	3.7
Others	-0.5
<b>Operating Profit</b>	<b>15.7</b>
Non-Operating Profit	0.0
Non-Operating Expense	0.5
<b>Ordinary Profit</b>	<b>15.2</b>
Extraordinary income	0.0
Extraordinary loss	0.5
<b>Net income before tax</b>	<b>14.6</b>
Income taxes-current	0.0
Income taxes-deferred	6.1
<b>Net Income</b>	<b>8.4</b>

\* Figures are rounded down

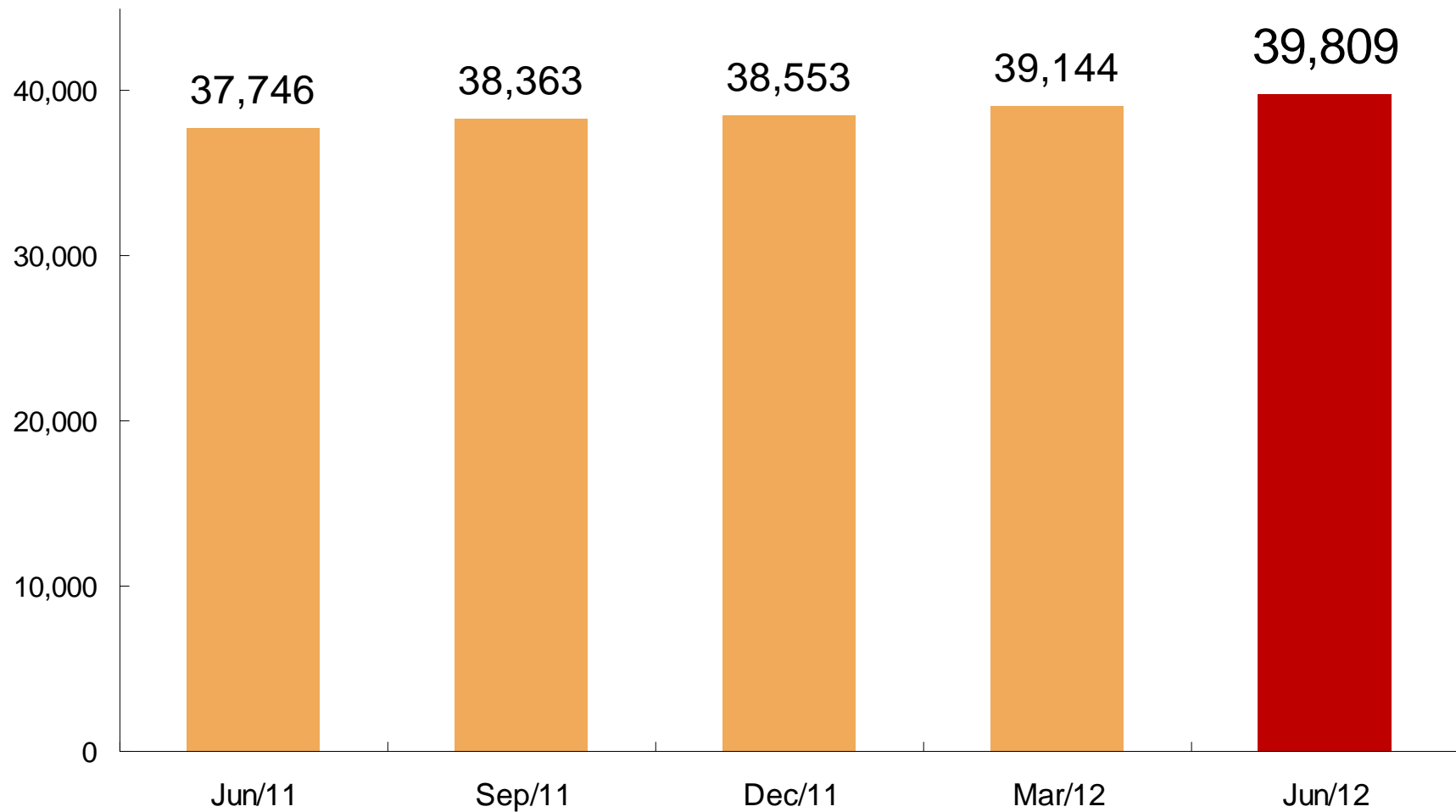


## Number of Merchants

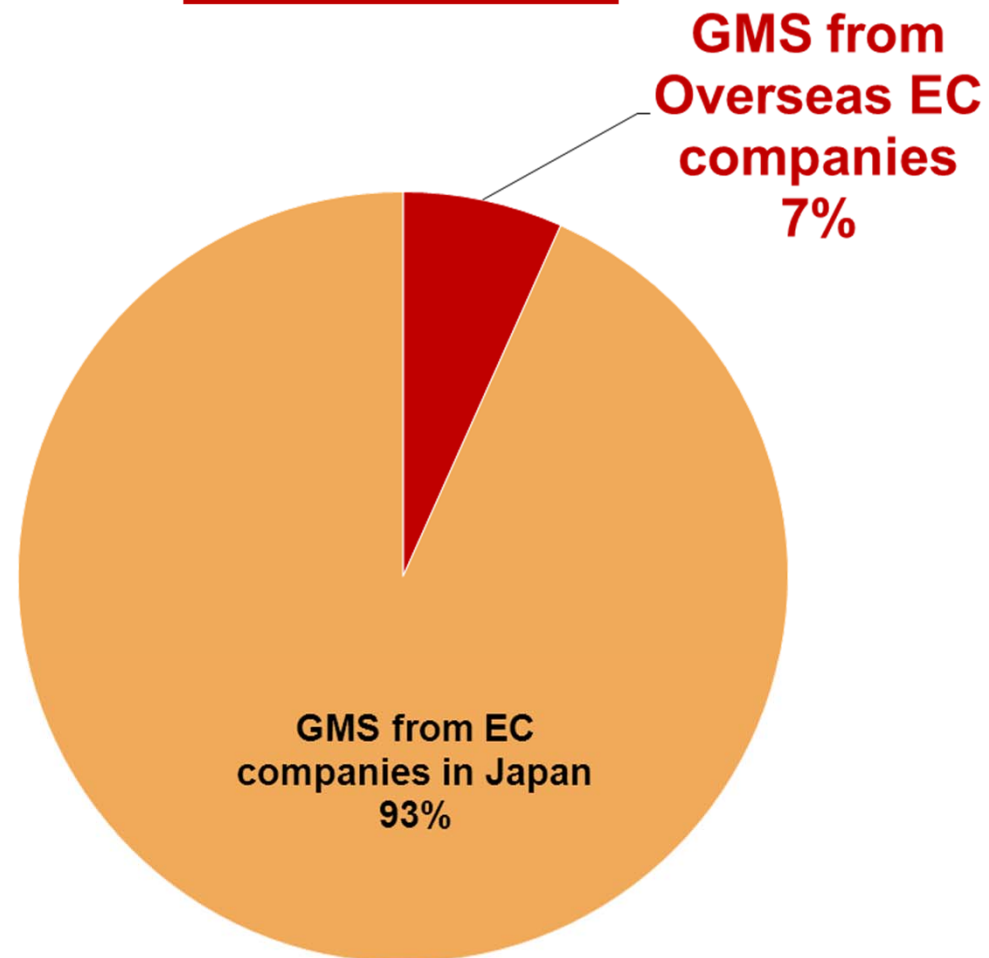


■ Number of merchants: +5.5% YoY

(No. of Merchants)



**Q2/12**



# Credit Card Business: Revenues and Expenses



(JPY mm)

	Q2/11 <sup>*1</sup>	Q3/11 <sup>*1</sup>	Q4/11	Q1/12	Q2/12
General services	9,834	9,970	10,455	10,903	11,887
Card shopping	9,816	9,952	10,438	10,886	11,871
Others	18	18	16	17	16
Financing	4,179	1,884	915	900	1,025
Card cash advances	2,738	1,390	848	836	953
Loan card	1,411	465	38	38	44
Others	29	28	29	25	27
Credit guarantee for Rakuten Bank and other	1,421	1,511	1,636	1,705	1,824
Others	4,182	4,332	4,708	4,722	5,109
<b>Total revenues</b>	<b>19,617</b>	<b>17,700</b>	<b>17,716</b>	<b>18,231</b>	<b>19,846</b>
(incl. effect of securitization)	19,286	18,876	17,415	18,918	19,926
Personnel costs	1,579	1,356	1,264	1,287	1,195
General expenses <sup>*2</sup>	10,349	10,425	11,351	12,292	12,557
Interest expenses	1,801	1,535	1,160	1,282	1,024
Costs related to doubtful accounts	4,015	2,615	1,637	2,245	2,711
Interest repayment expenses	4,264	0	0	0	0
<b>Total operating expenses</b>	<b>22,008</b>	<b>15,932</b>	<b>15,413</b>	<b>17,107</b>	<b>17,488</b>
(incl. goodwill amortization <sup>*3</sup> )	22,008	15,932	15,963	17,437	17,818
<b>Operating profit<sup>*2</sup></b>	<b>-2,390</b>	<b>1,767</b>	<b>2,302</b>	<b>1,124</b>	<b>2,357</b>
(incl. effect of securitization, goodwill amortization <sup>*3</sup> )	-2,722	2,944	1,452	1,480	2,108
<b>[Pro forma] Revenues of Rakuten Card biz.</b>	<b>12,771</b>	<b>13,799</b>	<b>15,034</b>	<b>15,398</b>	<b>16,637</b>

\*1: Combined results of Rakuten KC Co., Ltd + Rakuten Card Co., Ltd + former Rakuten Credit, Inc.

\*2: After retrospective application of the change in accounting policy regarding loyalty points

\*3: Goodwill amortization which is eliminated in internal transactions in consolidated accounts

# Credit Card Business: Transaction Volume\*

## ■ Composition of Transaction Volume

(JPY mm)

	Q2/11	Q3/11	Q4/11	Q1/12	Q2/12
<b>General services</b>	<b>332,863</b>	<b>354,446</b>	<b>386,800</b>	<b>396,897</b>	<b>434,403</b>
Card shopping	332,290	353,767	386,132	396,195	433,731
Others	573	678	668	702	671
<b>Financing</b>	<b>10,190</b>	<b>9,999</b>	<b>10,228</b>	<b>11,219</b>	<b>13,800</b>
Card cash advances	9,354	9,460	9,877	10,741	12,689
Loan card	835	539	350	477	1,110
<b>Others</b>	<b>4,093</b>	<b>4,279</b>	<b>4,475</b>	<b>4,401</b>	<b>4,969</b>
<b>Total transaction volume</b>	<b>347,148</b>	<b>368,725</b>	<b>401,505</b>	<b>412,518</b>	<b>453,173</b>

\*: Up to Q2/11, Rakuten KC Co., Ltd results are shown. Q3/11 results comprise Rakuten KC Co., Ltd (Jul) plus Rakuten Card Co., Ltd (Aug and Sep)  
Since Q4/11, results of Rakuten Card Co., Ltd are shown.

# Credit Card Business: Balance of Loan Receivables\*



(JPY mm)

	Q2/11	Q3/11	Q4/11	Q1/12	Q2/12
<b>General services</b>	<b>223,167</b>	<b>219,393</b>	<b>257,982</b>	<b>265,440</b>	<b>281,586</b>
Card shopping	222,691	219,140	257,727	265,184	281,370
Card shopping (Securitized)	150,781	172,585	188,833	187,129	225,872
(Securitized, off-balance)	114,683	172,585	188,833	187,129	185,616
(Securitized, on-balance)	36,098	0	0	0	40,255
incl. Revolving balance (principal)	112,792	110,836	120,064	129,650	139,724
Others	475	253	255	256	216
<b>Financing</b>	<b>141,460</b>	<b>65,836</b>	<b>64,233</b>	<b>63,927</b>	<b>64,274</b>
Card cash advances	56,632	17,978	18,455	20,069	21,874
Loan card	34,880	1,364	1,446	1,656	2,421
(Securitized, off-balance)	100	0	0	0	0
(Securitized, on-balance)	14,406	0	0	0	0
Others	49,946	46,494	44,331	42,201	39,979
<b>Installment</b>	<b>659</b>	<b>601</b>	<b>476</b>	<b>292</b>	<b>187</b>
<b>Others</b>	<b>28,510</b>	<b>27,426</b>	<b>26,089</b>	<b>25,156</b>	<b>24,016</b>
Credit guarantee	27,946	27,007	25,783	24,953	23,873
(Off-balance guarantees)	25,636	24,775	23,630	22,872	21,890
Others (Off-balance)	564	418	306	202	143
<b>Total balance (incl. off-balance)</b>	<b>393,798</b>	<b>313,258</b>	<b>348,782</b>	<b>354,816</b>	<b>370,065</b>
(Total on-balance)	252,815	115,479	136,012	144,612	162,414
<b>Credit guarantee for Rakuten Bank and other</b>	<b>129,684</b>	<b>139,240</b>	<b>145,350</b>	<b>154,878</b>	<b>164,150</b>
(Off-balance guarantees)	122,201	131,837	137,993	147,280	156,215
(On-balance loan receivables)	7,482	7,402	7,356	7,598	7,935

\*: Up to Q2/11: Loan receivables are results of former Rakuten KC Co., Ltd. Credit guarantees (Rakuten Bank Super Loans) are results of former Rakuten Credit, Inc.

Since Q3/11 shows results of Rakuten Card Co., Ltd

# Credit Card Business: Allowance for Doubtful Accounts



## ■ Balance of Uncollected Loan Receivables and Allowances

(JPY mm)

	Q3/11	Q4/11	Q1/12	Q2/12
<b>Rakuten Card</b>	236,456	277,638	286,885	305,655
Normal	231,048	271,883	281,046	300,310
Doubtful (4months-and-over-delinquent)	5,407	5,754	5,838	5,345
<b>Others (incl. re-contract)</b>	47,223	42,814	40,425	38,054
Normal	33,416	30,108	28,964	27,262
Doubtful (4months-and-over-delinquent)	13,806	12,706	11,461	10,792
Sub-total balance of loan receivables	283,679	320,453	327,311	343,710
Normal	264,465	301,991	310,010	327,573
Doubtful (4months-and-over-delinquent)	19,214	18,461	17,300	16,137
% of doubtful accounts	6.77%	5.76%	5.29%	4.70%
Secured	4,799	4,762	4,648	4,539
<b>Total balance of loan receivables</b>	<b>288,478</b>	<b>325,215</b>	<b>331,959</b>	<b>348,249</b>
<b>Allowance for doubtful accounts<sup>*1</sup></b>	<b>22,377</b>	<b>21,408</b>	<b>20,661</b>	<b>19,631</b>
<b>Allowance ratio</b>	<b>7.8%</b>	<b>6.6%</b>	<b>6.2%</b>	<b>5.6%</b>
<b>Write-off for bad debt</b>	<b>2,479</b>	<b>2,142</b>	<b>2,335</b>	<b>3,049</b>

\*1 Includes an earthquake disaster reserve in the loan loss reserve balance. Balance as of end June 2012: JPY 280 mm

## ■ Loan receivables and Allowance of Former Rakuten Credit, Inc.<sup>\*2</sup>

	Q3/11	Q4/11	Q1/12	Q2/12
Loan receivables	7,402	7,356	7,598	7,935
Credit guarantee	131,837	137,993	147,280	156,215
Allowance <sup>*3</sup>	3,422	3,243	3,320	3,370
Write-off for bad debt	652	648	605	507

\*2: Figures shown are the credit guarantee business of the Rakuten Card Co., Ltd (renamed from former Rakuten Credit, Inc.)

\*3: Includes an earthquake disaster reserve in the loan fund balance. Balance as of end June 2012: JPY 336 mm

# Rakuten Bank, Ltd. and Its Subsidiaries PL Rakuten

(JPY mm)

		Q2/11	Q3/11	Q4/11	Q1/12	Q2/12	YoY
	Interest income	4,668	4,694	4,978	5,043	5,205	11.5%
	Interest on loans and discounts	3,024	3,195	3,446	3,569	3,805	25.8%
	Interest and dividends on securities	934	913	756	742	632	-32.4%
	Fees and commissions	3,545	3,612	3,591	3,268	3,670	3.5%
	Other ordinary income	761	1,766	1,057	648	1,786	134.5%
	Other income	396	188	52	9	46	-88.2%
<b>Ordinary income</b>		<b>9,371</b>	<b>10,262</b>	<b>9,680</b>	<b>8,969</b>	<b>10,709</b>	<b>14.3%</b>
	Interest expenses	645	591	583	571	531	-17.7%
	Interest on deposits	623	569	562	549	509	-18.3%
	Fees and commissions payments	2,664	2,766	2,940	2,947	3,158	18.6%
	Other ordinary expenses	214	1,663	122	36	220	2.5%
	General and administrative expenses	3,837	3,912	4,203	4,238	4,311	12.3%
	Other expenses	25	8	14	1	3	-86.4%
<b>Ordinary expenses</b>		<b>7,387</b>	<b>8,942</b>	<b>7,865</b>	<b>7,794</b>	<b>8,224</b>	<b>11.3%</b>
<b>Ordinary profit</b>		<b>1,983</b>	<b>1,320</b>	<b>1,815</b>	<b>1,174</b>	<b>2,484</b>	<b>25.3%</b>

(JPY bn)

	Dec 31 2011 Market Value	Jun 30 2012 Market Value	Changes in Market Value from Dec 31 2011 to Jun 30 2012	Allowances (as of Jun 30 2012)	Unrealized gains and losses (Rakuten consolidated)
<b>JGB, Local Government Bonds, Corporate Bonds</b>	<b>288.4</b>	<b>248.9</b>	<b>-39.5</b>	<b>0.0</b>	<b>-0.1</b>
JGB (Japanese Government Bonds)	141.0	108.3	-32.6	-	0.4
Others <sup>*1</sup>	147.4	140.6	-6.8	0.0	-0.5
<b>Loan Receivables</b>	<b>155.6</b>	<b>172.9</b>	<b>17.2</b>	<b>0.2</b>	<b>-</b>
<b>ABS (securitized loan receivables)</b>	<b>236.9</b>	<b>216.8</b>	<b>-20.1</b>	<b>0.0</b>	<b>0.2</b>
Rakuten Card securitized assets	113.1	123.8	10.7	-	0.0
<b>ABS (Real estate products)</b>	<b>5.0</b>	<b>2.4</b>	<b>-2.6</b>	<b>-</b>	<b>-0.3</b>
<b>Funds</b>	<b>4.8</b>	<b>4.9</b>	<b>0.0</b>	<b>-</b>	<b>0.1</b>
<b>Stocks</b>	<b>0.9</b>	<b>0.8</b>	<b>-0.0</b>	<b>-</b>	<b>0.0</b>
<b>CDO</b>	<b>2.9</b>	<b>2.9</b>	<b>0.0</b>	<b>-</b>	<b>-0.0</b>
<b>Total</b>	<b>695.0</b>	<b>650.0</b>	<b>-45.0</b>	<b>0.2</b>	<b>0.0</b>

\*1: JGB, Local government bonds, Corporate bonds include government-guaranteed bonds, etc.

(JPY bn)

	Dec 31 2011	Jun 30 2012	Changes
<b>Deposit Balance</b>	<b>749.0</b>	<b>776.8</b>	<b>27.8</b>
Ordinary Deposits	393.5	413.5	20.0
Time Deposits	283.8	291.5	7.6
Other Deposits <sup>*2</sup>	71.5	71.7	0.1

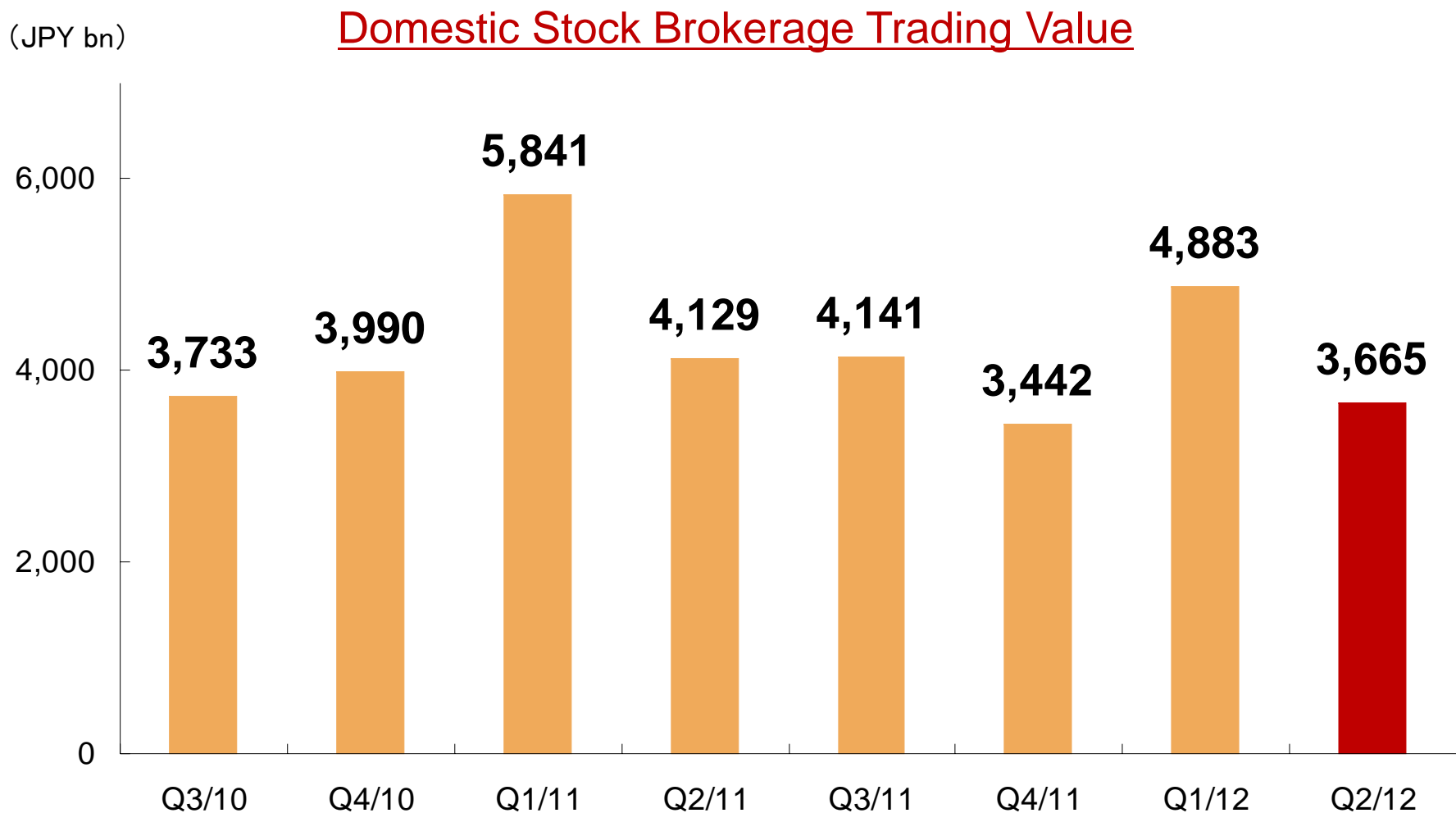
\*2: Other deposits include deposits in foreign currencies and others



## Rakuten Securities Quarterly Change in Stock Brokerage Trading Value



- Along with Euro crisis fears, domestic stock trading value decreased again



(Million persons)

	11/Jun	12/Mar	12/Jun	YoY
<b>Rakuten Members<sup>*</sup></b>	<b>72.13</b>	<b>76.80</b>	<b>78.33</b>	<b>+8.6%</b>

<sup>\*</sup>: Rakuten Members excluding non-active users who never use any Rakuten services, and excluding members who logged in during the period but later withdrew their membership: Jun 2011: 45.51m, Mar 2012: 50.20m, Jun 2012: 51.73m

