The following information was originally prepared and published by the Company in Japanese as it contains timely disclosure materials to be submitted to the Osaka Securities Exchange. This English summary translation is for your convenience only. To the extent there is any discrepancy between this English translation and the original Japanese version, please refer to the Japanese version. The following financial information was prepared in accordance with generally accepted accounting principles in Japan.

Consolidated Financial Reports
For the three months ended March 31, 2012

Rakuten, Inc.
May 10, 2012

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	(Name)	Ken Takayama	

Scheduled date of filing the securities report: May 11, 2012 　 Date of commencement of dividend payments ―
Supplementary materials for quarterly financial results: Yes
Quarterly financial results information meeting held: Yes

1. Consolidated Results for the three months ended March 31 of Fiscal 2012 (January 1 – March 31, 2012)

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

(1) Consolidated Operating Results

(%, YoY)

	Net Sales		Operating Profit		Ordinary Profit		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended March 31, 2012	98,706	13.6	17,182	13.9	17,004	14.3	7,734	12.3
Three months ended March 31, 2011	86,921	9.8	15,083	―	14,880	―	6,887	―

(Note) Comprehensive income: 15,780 million yen (84.0 %) (Three months ended March 31, 2012);
8,576 million yen (― %) (Three months ended March 31, 2011)

	EPS (Earning per Share)	EPS (Fully Diluted EPS)
	Yen	Yen
Three months ended March 31, 2012	588.83	587.38
Three months ended March 31, 2011	524.80	523.66

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
As of March 31, 2012	1,921,951	243,658	12.3
As of December 31, 2011	1,915,892	231,025	11.7

(Reference) Shareholders' equity: 237,011 million yen (as of March 31, 2012); 224,457 million yen (as of December 31, 2011)

2. Dividend Distribution

	Dividend per Share				
	1Q	2Q	3Q	Annual	Year
	Yen	Yen	Yen	Yen	Yen
FY2011	―	―	―	250.00	250.00
FY2012	―	―	―		
FY2012 (Forecast)				―	―

(Note) Revision of forecasts for dividends on the presentation date of this report: No

3. Forecast of Consolidated Operating Results for Fiscal 2012 (January 1–December 31, 2012)
(Note)
Rakuten, Inc. and its group companies do not disclose earnings forecasts as these business operations include an Internet service business characterized by high uncertainty and financial related businesses such as securities business whose results heavily depend on highly volatile markets. This precludes us from making earnings forecasts.

4. Other
(1) Significant changes in the scope of consolidation: Yes
Increase: Kobo Inc.
(2) Adoption of simplified or specific accounting treatments: No
(3) Changes in accounting policies and presentation of the financial statements (major items that provide the basis for preparing financial statements)
Changes due to amendment of accounting standards: Yes
Other changes: Yes
Changes in the accounting estimate: No
Modified re-disclosure: No
(4) Number of shares issued (Common stock)
1.Common stock (including treasury stock)
13,197,178 shares (As of March 31, 2012)
13,194,578 shares (As of December 31, 2011)
2.Treasury stock
60,079 shares (As of March 31, 2012)
60,079 shares (As of December 31, 2011)
3.Average number of shares issued for the three months ended March 31
(January 1 – March 31, 2011)
13,135,378 shares (January 1 – March 31, 2012)
13,123,168 shares (January 1 – March 31, 2011)

Qualitative Information, Financial Statements, etc.
1. Qualitative Information Concerning Consolidated Business Results
(1) Business Results for the First Quarter of the Fiscal Year Ending December 31, 2012

In the first quarter of the current fiscal year (January 1, 2012 – March 31, 2012), although the European debt crisis moderated, the future outlook of the world economy deserves close monitoring. The Japanese economy meanwhile was dormant due to the overseas business slowdown, but we expect to see a mild recovery led by demand from reconstruction efforts.

Against this backdrop, the Internet shopping, a core of Internet services business, is posed for more solid growth, as Internet purchases of daily essentials become an everyday event and the spread of smartphone and tablet devices surges. At the Rakuten Group, we see growth in the Internet market that is expanding in all corners of the world, the same way it is in Japan. In order to harness this power to lift corporate value, we are taking the Rakuten Ichiba business model for the B to B to C marketplace to the world.

In the Internet Finance business segment, where the core Rakuten Card business is extending healthy growth through synergies with our Internet services business, we are concentrating our business resources to provide the customer with even more value.

As a result of these efforts, the Rakuten Group achieved first quarter consolidated net sales of ¥98,706 million, a solid result that represents 13.6% growth from the first quarter of the previous fiscal year. Operating profit and ordinary profit were also strong with 13.9% year-on-year growth to ¥17,182 million in operating profit and 14.3% year-on-year growth to ¥17,004 million in ordinary profit. All three results are record high first quarter earnings. Quarterly net income also grew well with a 12.3% year-on-year increase to ¥7,734 million.

(2) Segment Information

Business results for each segment are as follows.

<Internet Services>

The Internet Services segment had strong performance in both sales and segment operating income during the first quarter of the fiscal year.

Rakuten Ichiba, our company flagship, expanded its set of merchants, implemented measures to improve delivery service and conducted marketing that leverages databases. Rakuten Ichiba also held the Rakuten Super Sale, a large-scale sales event held over a limited 24-hour period, which broke through the ¥10 billion barrier for single-day gross merchandise sales for the first time. These efforts led to firm growth in unique purchasers and number of orders. They also sustained the segment’s high growth rate, with a 20.7% year-on-year rise in domestic e-commerce gross merchandise sales. Travel services also continued its high growth rate to realize a 17.0% year-on-year jump in the value of gross bookings, rebounding to a higher level after the dampening effects of the Great East Japan Earthquake lifted. Dynamic Packages had brisk sales, and the unit strengthened its overseas business by setting up a Singapore office as its first local affiliate in Southeast Asia.

Our overseas e-commerce business has focused on creating a marketplace model and rolled out points programs and other initiatives that have proven successful, and contributed to expansion of our businesses. In further action during the quarter, we made Canadian-based Kobo Inc., a worldwide e-book operator, into a consolidated subsidiary. Kobo is moving ahead on plans to start service in Japan.

As a result, net sales for the segment jumped to ¥62,969 million, a 30.0% year-on-year increase, while segment operating income grew to ¥15,936 million, recording 17.7% year-on-year growth.

<Internet Finance>

During the first quarter, the card-related business reaped the favorable effects of last year’s reorganization aimed at focusing resources on the Rakuten Card business and had a strong increase in membership applications coming from services of Rakuten Group companies. Together with this, the business also increased shopping transaction balances and added to its steady growth in revolving shopping balances to achieve greater commission revenues. Banking services reaped the benefits of effective marketing programs aimed at Rakuten members and saw solid growth in loan balances, leading to increased interest income from loans. In securities services, enhanced usability of trading tools and programs to link accounts to Rakuten Bank led to an increase in new comprehensive accounts opened at Rakuten Securities.

As a result of the above, the Internet Finance segment had ¥34,857 million in net sales, or a 3.3% year-on-year fall. The decrease from the same period in the previous year stems from the reorganization of the credit card business. Segment operating income fell 1.1% year on year to ¥3,743 million, reflecting the fact that trading volume did not reach the level of the first quarter of last year, which saw a sharp increase in trading volume after the earthquake.

<Others>

During the first quarter of the current fiscal year, the Others segment maintained good results in operating income, despite lower telecommunications sales arising from the shift to a new business model that emphasizes new, high-growth ventures, such as those in cloud services, and moves away from a telecommunications bypass operator model. In March, the segment launched the Rakuten Broadband WiMAX mobile broadband service for consumers. The professional sports segment was not affected this year by a delay in the season opener and held its first home opener in Sendai since the team was founded. These factors led to large increases in stadium and ticket revenues compared to the same period in the previous year.

As a result of the above, the Others segment had a 3.2% year-on-year fall in net sales to ¥7,109 million with a segment operating loss of ¥406 million, compared with a ¥517 million operating loss in the first quarter of the previous year.

(3) Balance Sheets

<Assets>

Total assets at the end of the first quarter amounted to ¥1,921,951 million as of March 31, 2012, an increase of ¥6,059 million from ¥1,915,892 million at the end of the previous fiscal year on December 31, 2011. Major changes include decreases of ¥61,500 million in negotiable CDs and ¥24,686 million in securities for bank business together with increases of ¥63,923 million for banking business in cash and deposits at the Bank of Japan, ¥27,501 million in goodwill arising from the acquisition of Kobo Inc.

<Liabilities>

Total liabilities at the end of the quarter were ¥1,678,293 million as of March 31, 2012, a decrease of ¥6,573 million from ¥1,684,866 million at the end of the previous fiscal year on December 31, 2011. Major increases include ¥12,594 million in deposits received for the securities business, ¥12,092 million in payables secured by securities for the securities business and ¥9,596 million in deposits for banking business that were mainly generated from linked accounts with the securities business. On the other hand, major decreases occurred among long-term loans payable ¥34,259 million and commercial papers ¥5,000 million.

<Net Assets>

Net assets at the end of the first quarter stood at ¥243,658 million as of March 31, 2012, an increase of ¥12,632 million compared with the ¥231,025 million at the end of the previous fiscal year on December 31, 2011. A major component was shareholders' equity, which grew by ¥4,546 million during the quarter after recording ¥7,734 million in quarterly net income and payment of ¥3,283 million in cash dividends. Other contributors were increases of ¥1,848 million for unrealized gains or losses on available-for-sale securities and ¥6,213 million for foreign currency translation adjustments.

(Note)
Starting in the first quarter of the current fiscal year, the Rakuten Group has made a change in accounting policy regarding loyalty points and is basing its comparisons and analysis of cumulative business results for the current fiscal year on prior year values after retrospective application.

(4) Qualitative Information about Consolidated Business Forecasts

In the year ending December 31, 2012, we anticipate further expansion in the use of our services in Japan including e-commerce and travel, resulting in continued high growth. In financial services, we expect unsettled market conditions to persist, but nevertheless anticipate sustained earnings growth created from synergies within the Rakuten Group. We will also continue to make strategic allocations of corporate resources and active investments in high-growth areas such as e-books in order to open up more mid- and long-term income opportunities. While making these forward-looking investments, Rakuten intends to surpass its current financial results in the fiscal year ending December 31, 2012.

In addition to our 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 our 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.

(5) Other Information

(a) Changes in Recognition Timing of the Reserve for Points

The former accounting procedure for the Rakuten Super Points program treated regular points by recognizing a reserve for points at an amount corresponding to the balance of points available for customer use at the end of the period and treated limited-time points as an expense in the period used. Under the new policy, the projected value of points granted for both regular and limited-time points will be recognized in the reserve for points at the time of transaction.

Points granted and used have both grown recently as point programs play an increasingly important role each year as marketing tools. In response to these conditions, the Rakuten Group has constructed a point campaign management system and developed an internal management structure in order to gain timely understanding of campaign effects. In the current first quarter accounting period, we have been able to promptly calculate the estimated value of granted points from campaigns at the time of generation for both regular and limited-time points. We are thus able to gauge and to manage the point balances in the important Rakuten Super Points marketing tool. At the same time, we have adopted a uniform accounting procedure for the Rakuten Super Points program. This method accounts for points in the reserve for points by using the projected value of point grants, and recognition timing will be based on the transaction that caused the points to be generated.

The change in accounting policy is applied retroactively, and the prior year quarterly and fiscal year financial statements are presented after retrospective application.

As a result, the amounts for operating profit ordinary profit and income before income taxes and minority interests for the first quarter of the previous fiscal year are each ¥1,009 million higher than before retrospective application, and the reserve for points at the end of the previous fiscal year is ¥5,290 million higher. In addition, reflecting the cumulative effect in net assets at the beginning of the previous fiscal year reduces retained earnings at that time by ¥2,812 million.

(b) Application of the Accounting Standard for Net Income Per Share

Starting in the first quarter of the current fiscal year, we are applying the Accounting Standard for Earnings Per Share (Accounting Standards Board of Japan [ASBJ], Statement No. 2, revised June 30, 2010) and the Guidance on Accounting Standard for Earnings Per Share (ASBJ Guidance No. 4, revised June 30, 2010).

In accordance with this change, the calculation of diluted net income per share for stock options whose right to exercise is established after a fixed period of work service sets the value of receipts on the assumption that funds are paid in when rights are exercised and has changed to a method that includes the future service-related portion furnished by the company.

(c) Application of the Accounting Standards for Accounting Changes and Error Corrections

As a result of accounting changes and corrections to prior period errors after the beginning of the current first quarter financial reporting period, we have applied the Accounting Standards for Accounting Changes and Error Corrections (ASBJ Statement No. 24, December 4, 2009) and the Guidance on Accounting Standards for Accounting Changes and Error Corrections (ASBJ Guidance No. 24, December 4, 2009).

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2. Consolidated Financial Results for the three months ended March 31, 2012
(1) Consolidated Balance Sheets as of December 31, 2011 and March 31, 2012

(Millions of Yen)

	As of December 31, 2011	As of March 31, 2012
(Assets)		
Current assets		
Cash and deposits	88,989	152,913
Notes and accounts receivable-trade	49,667	49,620
Accounts receivable-installment	66,219	75,247
Accounts receivable-installment sales-credit guarantee	2,153	2,080
Beneficial interests in securitized assets	88,959	85,401
Cash segregated as deposits for securities business	207,503	231,307
Margin transaction assets for securities business	115,633	125,472
Operating loans	62,386	63,158
Short-term investment securities	76,600	15,100
Securities for bank business	537,790	513,104
Loans and bills discounted for banking business	155,677	164,116
Deferred tax assets-current	34,650	33,081
Other current assets	189,814	147,847
Allowance for doubtful accounts-current	(14,384)	(14,751)
Total current assets	1,661,662	1,643,700
Noncurrent assets		
Property, plant and equipment	15,804	16,626
Intangible assets		
Goodwill	115,064	142,565
Other	58,222	61,063
Total intangible assets	173,287	203,629
Investments and other assets		
Investment securities	20,684	17,532
Deferred tax assets-noncurrent	25,731	20,937
Other noncurrent assets	33,630	33,553
Allowance for doubtful accounts-noncurrent	(14,907)	(14,028)
Total investments and other assets	65,138	57,995
Total noncurrent assets	254,229	278,251
Total assets	1,915,892	1,921,951

(Millions of Yen)

	As of December 31, 2011	As of March 31, 2012
(Liabilities)		
Current liabilities		
Notes and accounts payable-trade	59,201	54,483
Accounts payable-credit guarantee	2,295	2,080
Commercial papers	19,800	14,800
Short-term loans payable	130,722	132,538
Deposits for banking business	741,501	751,098
Current portion of bonds payable	4,800	4,553
Income taxes payable	3,980	2,004
Deposits received for securities business	139,482	152,077
Margin transaction liabilities for securities business	38,229	46,594
Guarantee deposits received for securities business	79,817	79,327
Payable secured by securities for securities business	28,734	40,827
Deferred tax liabilities-current	57	64
Provision-current	24,278	25,835
Other current liabilities	205,221	199,559
Total current liabilities	1,478,125	1,505,845
Noncurrent liabilities		
Bonds payable	753	600
Long-term loans payable	190,746	156,487
Deferred tax liabilities-noncurrent	4,761	4,901
Other provision-noncurrent	1,433	1,411
Other noncurrent liabilities	7,171	7,169
Total noncurrent liabilities	204,867	170,570
Reserves under the special laws		
Reserve for financial products transaction liabilities	1,838	1,842
Reserve for commodities transaction liabilities	35	35
Total reserves under the special laws	1,873	1,877
Total liabilities	1,684,866	1,678,293
(Net assets)		
Shareholders' equity		
Capital stock	107,959	108,007
Capital surplus	120,030	120,078
Retained earnings	5,459	9,910
Treasury stock	(3,625)	(3,625)
Total shareholders' equity	229,824	234,370
Accumulated other comprehensive income		
Unrealized gains or losses on available-for-sale securities	2,433	4,281
Deferred gains or losses on hedges	53	—
Foreign currency translation adjustments	(7,854)	(1,640)
Total accumulated other comprehensive income	(5,367)	2,641
Subscription rights to shares	1,184	1,224
Minority interests	5,383	5,421
Total net assets	231,025	243,658
Total liabilities and net assets	1,915,892	1,921,951

(2) Consolidated Income Statements
For the three months ended March 31, 2011 and 2012

(Millions of yen)

	Three months ended March 31, 2011 (January 1 to March 31, 2011)	Three months ended March 31, 2012 (January 1 to March 31, 2012)
Net sales	86,921	98,706
Cost of sales	17,963	20,875
Gross profit	68,957	77,831
Selling, general and administrative expenses	*1 53,873	*1 60,648
Operating profit	15,083	17,182
Non-operating income		
Interest income	11	59
Dividends income	15	18
Foreign exchange income-net	—	156
Equity in earnings of affiliates	108	6
Other non-operating income	209	196
Total non-operating income	344	436
Non-operating expenses		
Interest expenses	366	436
Commission fee	15	71
Foreign exchange losses-net	63	—
Other non-operating expenses	102	108
Total non-operating expenses	548	615
Ordinary profit	14,880	17,004
Extraordinary gain		
Gain on transfer of business	—	69
Total extraordinary gain	—	69
Extraordinary loss		
Loss on liquidation of business	—	883
Loss on investment securities	—	382
Loss on disaster	1,260	—
Loss on write-off of bad debts	2,260	—
Other extraordinary loss	921	320
Total extraordinary losses	4,441	1,586
Income before income taxes and minority interests	10,438	15,487
Income taxes-current	5,930	1,927
Income taxes-deferred	(2,799)	5,809
Total income taxes	3,130	7,736
Income before minority interests	7,308	7,750
Minority interests in income	421	16
Net income	6,887	7,734

Consolidated Comprehensive Income Statements
For the three months ended March 31, 2011 and 2012

(Millions of yen)

	Three months ended March 31, 2011 (January 1 to March 31, 2011)	Three months ended March 31, 2012 (January 1 to March 31, 2012)
Income before minority interests	7,308	7,750
Other comprehensive income		
Unrealized gains or losses on available-for-sale securities	(1,110)	1,832
Deferred gains or losses on hedges	48	(53)
Foreign currency translation adjustment	2,343	6,235
Share of other comprehensive (loss) income of associates accounted for using equity method	(12)	15
Total other comprehensive income	1,268	8,029
Comprehensive income	8,576	15,780
（Comprehensive income attributable to）		
Owners of the parent	8,131	15,742
Minority interests	444	37

(3) Business Segment Information
For the three months ended March 31, 2011 (January 1 to March 31, 2011)

(Millions of Yen)

	Reporting Segment				Adjustment (Note 1)	Amount shown in quarterly consolidated income statements (Note 2)
	Internet Services	Internet Finance	Others	Total		
Sales	48,435	36,042	7,342	91,820	(4,899)	86,921
Segment Operating Income (loss)	13,539	3,786	(517)	16,808	(1,724)	15,083

Notes
1. The ¥1,724 million adjustment to segment operating income or losses consists mainly of a figure of ¥1,881million for goodwill amortization that has not been allocated to the reporting segments, and ¥300 million for the elimination of internal transactions.
2. Segment operating income or losses are reconciled to operating profit in the quarterly income statements.

For the three months ended March 31, 2012 (January 1 to March 31, 2012)

(Millions of Yen)

	Reporting Segment				Adjustment (Note 1)	Amount shown in quarterly consolidated income statements (Note 2)
	Internet Services	Internet Finance	Others	Total		
Sales	62,969	34,857	7,109	104,936	(6,230)	98,706
Segment Operating Income (loss)	15,936	3,743	(406)	19,273	(2,090)	17,182

Notes
1. The ¥2,090 million adjustment to segment operating income or losses consists mainly of a figure of ¥1,997 million for goodwill amortization that has not been allocated to the reporting segments, and ¥81 million for the elimination of internal transactions.
2. Segment operating income or losses are reconciled to operating profit in the quarterly income statements.
3. As stated in (5) Other Information (a) “Changes in Recognition Timing of the Reserve for Points” and in conjunction with changes in recognition timing of the reserve for points for the first quarter of the previous fiscal year, business segment information is presented after retrospective application to reflect the applicable changes in accounting policy.
   The effect of this retrospective application is to increase segment operating income for the first quarter of the previous fiscal year by ¥884 million for Internet Services and ¥124 million for Internet Finance, respectively.

(Note) Major Changes in Goodwill Valuation
For the three months ended March 31, 2012 (January 1 to March 31, 2012)

The inclusion of Kobo Inc. as a subsidiary within the Internet services segment caused goodwill to be generated, which adds ¥26,725 million to the financial results for the first quarter of the current fiscal year.

(4) Note

The Consolidated Income Statements

(Millions of yen)

For the three months ended March 31, 2011 (From January 1 to March 31, 2011)		**For the three months ended March 31, 2012** (From January 1 to March 31, 2012)	
*1 The breakdown of selling, general and administrative expenses is as follows.		*1 The breakdown of selling, general and administrative expenses is as follows.	
Point costs	2,320	Point costs	1,695
Advertisement and promotion expenses	7,357	Advertisement and promotion expenses	12,230
Personnel expenses	11,618	Personnel expenses	12,792
Provision for bonuses	1,875	Provision for bonuses	2,280
Depreciation	3,814	Depreciation	4,355
Communications and maintenance expenses	3,721	Communications and maintenance expenses	3,722
Outsourcing expenses	6,014	Outsourcing expenses	6,899
Expenses for doubtful accounts	5,034	Expenses for doubtful accounts	2,440

(5) Significant Subsequent Events
For the three months ended March 31, 2012 (January 1 to March 31, 2012)

Issuance of Subscription Rights to Shares as stock options to Directors, Executive Officers and employees of Kobo Inc.

Pursuant to "Issuance of Subscription Rights to Shares as Stock Options", approved at the 15th Annual General Shareholders' Meeting held on March 29, 2012, the Company was authorized to issue the following Subscription Rights to Shares as stock options among Directors, Executive Officers and employees of Kobo Inc. for the purpose of increasing enterprise value of the Group by enhancing motivation and morale towards higher performance after their becoming subsidiaries, while ensuring the ability to recruit and retain talented staff, at the Board of Directors of the Company on April 20, 2012.

(1) Persons to whom Subscription Rights to Shares will be allotted
Directors, Executive Officers and employees of Kobo Inc. : 15 in total

(2) Class and number of shares to be issued upon exercise of Subscription Rights to Shares
Common stock of the Company : 11,051 shares
However, if the Company splits its common stock (including allotment of its common stock without compensation; hereinafter the same shall apply) or consolidates its common stock, the number of shares to be issued upon exercise of each unit of such Subscription Rights to Shares shall be adjusted according to the following formula; provided that such adjustment shall be made only to those remain unexercised or uncanceled at the time of such adjustment and; provided, further, that if any fraction less than one share arises as a result of such adjustment, such fraction shall be discarded.

$$\text{Number of shares after adjustment} = \text{Number of shares before adjustment} \times \text{Ratio of split or consolidation}$$

In addition, if the Company carries out a merger, a company split, share exchange, share transfer etc. that makes it necessary to adjust the number of shares, the number of shares shall be adjusted within a reasonable range, taking into account the conditions of the merger, company split, share exchange, share transfer etc.

(3) Total number of Subscription Rights to Shares : 11,051 units
One share shall be issued for each Subscription Right to Shares, provided however that in the event of any adjustment in the number of shares stipulated in (2) above, the number of shares to be issued for the Subscription Right to Shares shall be adjusted likewise.

(4) Cash payment for Subscription Rights to Shares
No cash payment is required for Subscription Rights to Shares.

(5) Value of the assets to be contributed upon exercise of Subscription Rights to Shares
This shall be the amount calculated by multiplying an amount paid (hereinafter "Exercise Price") for one share issued (including transferred treasury stock in lieu of issuance of shares; hereinafter the same shall be applied) as a result of the exercise of each Subscription Right to Shares, by the number of shares to be issued upon exercise of the Subscription Rights to Shares while Exercise Price shall be one yen. However, if the Company splits or consolidates its common stock after issuance, the Exercise Price shall be adjusted according to the following formula, and any fraction less than one yen per unit of Subscription Right to Shares resulting from this adjustment shall be rounded up.

$$\text{Exercise Price after adjustment} = \text{Exercise Price before adjustment} \times \frac{1}{\text{Ratio of split or consolidation}}$$

Besides the above, in case the Company carries out a merger etc., or according as other such circumstances that make it necessary to adjust the Exercise Price after issuance, the Exercise

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Price may be adjusted as appropriate within a necessary and reasonable range.

(6) Exercise period of Subscription Rights to Shares
From April 20, 2014 to April 20, 2022

(7) Conditions for exercise of Subscription Rights to Shares
I. Those who received the allotment of issue of Subscription Rights to Shares may exercise all or a part of the stock options in accordance with the following classifications:
(a) Those who received the allotment of issue of Subscription Rights to Shares may not exercise any of the Subscription Rights to Shares allotted to him/her from Issue Date to the date immediately preceding the second (2nd) anniversary of the Issue Date.
(b) Those who received the allotment of issue of Subscription Rights to Shares may exercise one-third (1/3) of the Subscription Rights to Shares allotted to him/her from the second (2nd) anniversary of the Issue Date to the date immediately preceding the third (3rd) anniversary of the Issue Date (in calculating the number of Subscription Rights to Shares that would have become exercisable, any fraction less than one shall be rounded down).
(c) Those who received the allotment of issue of Subscription Rights to Shares may exercise two-thirds (2/3) (however if a part of the Subscription Rights to Shares allotted is exercised by the third (3rd) anniversary, exercisable Subscription Rights to Shares shall be within two-thirds (2/3) of the allotted Subscription Rights to Shares, including the already exercised Subscription Rights to Shares) of the Subscription Rights to Shares allotted to him/her from the third (3rd) anniversary of the Issue Date to the date immediately preceding the fourth (4th) anniversary of the Issue Date (in calculating the number of Subscription Rights to Shares that would have become exercisable, any fraction less than one shall be rounded down).
(d) Those who received the allotment of issue of Subscription Rights to Shares may exercise all the Subscription Rights to Shares allotted to him/her from the fourth (4th) anniversary of the Issue Date through to the tenth (10th) anniversary of the Issue Date.

II. Those who received the allotment of issue of Subscription Rights to Shares shall remain Directors, Executive Officers, Company Auditors or employees of the Company, or its subsidiaries or affiliates at the time of exercising such rights; provided however that, this shall not apply to cases where (i) those who received the allotment of the issue of Subscription Rights to Shares exercise Subscription Rights to Shares which are exercisable at the time of the termination of delegation or employment relationship (including a case where those who received the allotment of the issue of Subscription Rights to Shares have passed away) between them and Kobo Inc. with which they primarily have said delegation or employment relationship within 30 days from such termination, or (ii) it is allowed as an exceptional case by the Board of Directors of the Company in consideration of circumstances.
In addition, allotted Subscription Rights to Shares which are not then exercisable shall not be exercised thereafter: (a) in cases where those who received the allotment of the issue of Subscription Rights to Shares retire or leave Kobo Inc. of their own accord; those who received the allotment of the issue of Subscription Rights to Shares are dismissed or displaced by Kobo Inc. due to reasons imputable to them under the laws of Canada; or delegation or employment relationship between those who received the allotment of the issue of Subscription Rights to Shares and Kobo Inc. terminated due to death of those who received the allotment of the issue of Subscription Rights to Shares, permanent invalidity which disables them to continue to execute their duties for Kobo Inc. or subsidiaries and affiliates of Kobo Inc. (hereinafter "Affiliates") under the laws of Canada, or mandatory retirement, (b) in cases where those who received the allotment of the issue of Subscription Rights to Shares retire or leave Kobo Inc. of their own accord because significant disadvantageous changes in the basic terms of the delegation or employment contract are unilaterally imposed on them by Kobo Inc. or "Affiliates" under the laws of Canada, those who received the allotment of the issue of Subscription Rights to Shares, notwithstanding the provision in (I), may also exercise their rights with respect to allotted Subscription Rights to Shares to the extent of the number obtained by multiplying the

ratio of the period from the anniversary date of the Issue Date (hereinafter “Commencement Date”) to the date of the retirement or leaving of Kobo Inc. (hereinafter “Date of Leaving”) against the one-year period which includes the Date of Leaving and commences on the Commencement Date by the number of Subscription Rights to Shares that would have become exercisable pursuant to the provision in (I) at the time when the said one-year period has elapsed (However, in cases where those who received the allotment of the issue of Subscription Rights to Shares retire or leave Kobo Inc. on or before the second anniversary date of the Issue Date, those who received the allotment of the issue of Subscription Rights to Shares may exercise their rights with respect to allotted Subscription Rights to Shares to the extent of the number obtained by multiplying the ratio of the period from the Issue Date to the Date of Leaving against the two-year period by the number of Subscription Rights to Shares that would have become exercisable pursuant to the provision in (I) (b) on the second anniversary date of the Issue Date) (in calculating the number of Subscription Rights to Shares that would have become exercisable, any fraction less than one shall be rounded down) (however, those who received the allotment of the issue of Subscription Rights to Shares shall exercise Subscription Rights to Shares within 30 days from the date of the termination of delegation or employment relationship with Kobo Inc.), and (c) in cases where those who received the allotment of the issue of Subscription Rights to Shares are dismissed or displaced by Kobo Inc. despite the lack of reasons imputable to them under the laws of Canada, those who received the allotment of the issue of Subscription Rights to Shares may, notwithstanding the provision in (I), exercise all of allotted Subscription Rights to Shares that are held at the time of receiving the notification of dismissal or displacement

(However, those who received the allotment of the issue of Subscription Rights to Shares shall exercise Subscription Rights to Shares within 30 days from the date of the termination of delegation or employment relationship with Kobo Inc.).

III. Notwithstanding the provisions of (I) above, in the event of a sale of all or substantially all of the assets of the business of Kobo Inc. to a third party other than the Company or “Affiliates” under the laws of Canada, or in the event of a reorganization, such as merger (except for reorganization carried out by solely involving Kobo Inc. and one or more of “Affiliates” under the laws of Canada), with respect to which all or substantially all of the persons who were the beneficial owners of the common shares of Kobo Inc. immediately prior to such transaction do not, following such transaction, beneficially own directly or indirectly, more than 50% of the resulting voting rights of all shareholders of Kobo Inc. (including all the voting rights of Kobo Inc. or other similar rights which may be issued or transferred as a result of the exercising of the Subscription Rights to Shares of Kobo Inc.), the holder of the Subscription Rights to Shares may exercise all the rights he/she holds at the time of such event, provided that such Subscription Rights to Shares are exercised immediately before such event comes into force.

IV. Subscription Rights to Shares shall not be inherited, provided however that exceptional treatment may be allowed in this regard by the Board of Directors of the Company in consideration of circumstances.

V. Subscription Rights to Shares shall not be offered for pledge or disposed of in any other way.

(8) Adjustment regarding stock split

After July 1, 2012, the effective date of stock split which was resolved at the Board of Directors of the Company on February 20, 2012, number of shares of (2) and (3) shall be increased by 100 times by the adjustment in the number of shares stipulated in (2) and (3) and Exercise Price stipulated in (5) shall be adjusted into a hundredth by the adjustment of Exercise Price stipulated in (5) (however any fraction less than one yen per unit of Subscription Rights to Shares shall be rounded up) and Exercise Price per unit shall be one yen and number of shares to be issued upon one unit shall be 100 shares.