

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 six months ended June 30, 2012

Rakuten, Inc.
August 3, 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: August 3, 2012		Date of commencement of dividend payments —	
Supplementary materials for quarterly financial results: Yes			
Quarterly financial results information meeting held: Yes (For institutional investors and analysts)			

1. Consolidated Results for the six months ended June 30 of Fiscal 2012 (January 1 – June 30, 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	%
Six months ended June 30, 2012	200,528	12.9	35,224	19.8	34,725	18.9	19,545	—
Six months ended June 30, 2011	177,645	8.2	29,408	—	29,214	—	(41,923)	—

(Note) Comprehensive income: 20,212 million yen (— %) (Six months ended June 30, 2012);
(43,481) million yen (— %) (Six months ended June 30, 2011)

	EPS (Earning per Share)	EPS (Fully Diluted EPS)
	Yen	Yen
Six months ended June 30, 2012	14.87	14.84
Six months ended June 30, 2011	(31.94)	—

(Note) 1. Because of the retrospective adjustment for the change in accounting policy, the percent change comparison from the second quarter of the previous fiscal year is omitted.

2. Rakuten Inc. made a 100-for-1 stock split for shares of its common stock on July 1, 2012. Earning per Share and Fully Diluted EPS were calculated under the assumption that the stock split took effect at the start of the previous fiscal year.

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
As of June 30, 2012	1,938,051	248,391	12.5
As of December 31, 2011	1,915,892	231,025	11.7

(Reference) Shareholders' equity and accumulated other comprehensive income: 241,511 million yen (as of June 30, 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	—	0.00	—	250.00	250.00
FY2012	—	0.00	—	—	—
FY2012 (Forecast)	—	—	—	—	—

(Note) 1.Revision of forecasts for dividends on the presentation date of this report: No

2.Rakuten, Inc. made a 100-for-1 stock split for shares of its common stock on July 1, 2012.

3. Forecast of Consolidated Operating Results for Fiscal 2012 (January 1–December 31, 2012)

Rakuten, Inc. and its subsidiaries 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)

1,320,066,000 shares (As of June 30, 2012)

1,319,457,800 shares (As of December 31, 2011)

2.Treasury stock

6,007,900 shares (As of June 30, 2012)

6,007,900 shares (As of December 31, 2011)

3.Average number of shares issued for the six months ended June 30

1,313,700,076 shares (January 1 – June 30, 2012)

1,312,556,546 shares (January 1 – June 30, 2011)

(Note) Rakuten Inc. made a 100-for-1 stock split regarding shares of its common stock on July 1, 2012. Total shares issued and treasury stock as of the end of the fiscal period and average number of shares during the fiscal period are calculated under the assumption that the stock split took effect at the start of the previous fiscal year.

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

In the first half of the current fiscal year (January 1, 2012 – June 30, 2012), the future outlook of the world economy continued to deserve close watch as the European debt crisis has been prolonged. Japan's economy was also not immune to the effects of overseas economic conditions, yet saw domestic demand return to a firm pace spurred by restoration demand, leading to mild recovery.

Meanwhile, the spread of the Internet and the developing shift in social foundations across the world means that the Internet continues to be a major engine for worldwide economic growth, as documented in the most recent White Paper ("Hakusho") from the Ministry of Internal Affairs and Communications.* Among other implications, the economic effects of the near tripling of global sales in the smartphone market between 2009 and 2011 have spilled over into related markets including Internet shopping. Boosted by the strong winds of these environment changes, the global Internet shopping market continues to be poised for even stronger growth.

At Rakuten, we seek to drive corporate value to the next level by making deliberate steps to take Rakuten Ichiba's BtoBtoC marketplace model to the world and pouring effort into service enhancements for the rapidly spreading smartphone and tablet devices. In the Internet Finance business segment, we are aggressively promoting the businesses, focusing on the Rakuten Card business where there are notable synergies with Internet services.

As a result of these efforts, the Rakuten Group for the first half achieved solid results with consolidated net sales of ¥200,528 million, operating profit of ¥35,224 million, and ordinary profit of ¥34,725 million. These figures represent a 12.9% increase for net sales, and 19.8% and 18.9% growth, for operating profit and ordinary profit, respectively, compared to the same period of the previous fiscal year. All three results are record highs for the first half of the current fiscal year. Net income for the period was ¥19,545 million, a turnaround from the ¥41,923 million net loss in the second quarter of the previous fiscal year.

(2) Segment Information

Business results for each segment are as follows.

<Internet Services>

In the first half of the current fiscal year in the Internet Services segment, we saw customers continuously shift to e-commerce in daily consumption on Rakuten Ichiba flagship site, owing to an enhanced product line-up, promotion of mobile Internet usage, expanded next-day deliveries, and other initiatives. In addition, efforts taken together with our merchants to put out attractive products in the Rakuten Super Sale, a giant sales event, led to expansion of gross merchandise sales and an increase in active users. These efforts contributed to firm growth in unique buyers and number of orders to sustain the segment's high growth with a 14.1% year-on-year rise in domestic e-commerce gross merchandise sales. Travel services also maintained its high growth to realize a 15.1% year-on-year increase in the value of gross bookings. Dynamic Packages had brisk sales, and the unit strengthened its overseas business by setting up a Singapore office during the first quarter as its first local affiliate in Southeast Asia.

Overseas, the e-commerce business focused on its marketplace model and rolled out points programs and other initiatives that have proven successful and boosted business in Japan, and all of these efforts contributed to our business expansion. In further action during the first quarter, we made Canada-based Kobo Inc., a worldwide e-book operator, into a consolidated subsidiary. Kobo has been expanding services to many countries and has now started service in Japan, as of July.

As a result of these actions, net sales for the segment jumped 26.2% year-on-year to ¥125,459 million, while segment operating income grew by 5.9% to ¥30,491 million.

<Internet Finance>

The Internet Finance segment increased its credit card membership during the first half of the current fiscal year, which boosted shopping transaction value and prompted a healthy rise in revolving shopping balances, resulting in higher commission income and a pronounced growth in its profit. Outside of credit card-related services, banking services benefited from its effective marketing programs to Rakuten members and solid growth in loan balances to achieve increased interest income from loans. In securities services, enhanced usability of trading tools and a linked account service with Rakuten Bank Co., Ltd. led to an increase in new comprehensive accounts opened at Rakuten Securities Inc.

As a result of the above, the Internet Finance segment had ¥72,336 million in net sales, a 0.6% increase from the same period of the previous fiscal year. Segment operating income was ¥9,564 million, a 123.9% year-on-year increase due in part to last year's recording of a ¥4,264 million allowance for loss on interest repayments taken in advance of the re-organization of the credit card business.

<Others>

During the first half of the current fiscal year, the Others segment maintained good results in operating profit, despite lower telecommunications sales stemming from the shift to a new business model that emphasizes new, high-growth services such as cloud services and moves away from a traditional landline operator providing bypass services. In the second quarter, the segment started FUSION Cloud, using Rakuten's proprietary cloud technology. The professional sports division had significant growth compared with the same period in the previous year in both stadium and ticket revenue, aided by a good season start by our professional baseball team.

As a result of the above, net sales were ¥16,319 million, a 2.2% year-on-year decrease, while segment operating income grew 267.1% year-on-year to ¥614 million.

* Source: Heisei 24 Nen Joho Tsushin ni Kansuru Genjo Hokoku [Fiscal 2012 Information and Communications Status Report] (published by the Ministry of Internal Affairs and Communications, July 17, 2012)

(3) Balance Sheets**<Assets>**

Total assets at the end of the first half on June 30, 2012, increased by ¥22,159 million to ¥1,938,051 million compared with ¥1,915,892 million at the end of the previous fiscal year on December 31, 2011. Primary factors were decreases of ¥78,247 million in securities for banking business and ¥70,800 million in Short-term investment securities such as NCD. These figures were offset by an increase of ¥109,784 million in cash and deposits associated with Bank of Japan account opening for the banking business, an increase of ¥28,162 million in intangible assets from the acquisition of Kobo Inc., an increase of ¥26,870 million in accounts receivable-installment associated with credit card shopping, and an increase of ¥17,264 million in loans and bills discounted for banking business.

<Liabilities>

Total liabilities at the end of the first half were up by ¥4,793 million to ¥1,689,660 million, compared with ¥1,684,866 million at the end of the previous fiscal year. Major factors were a ¥49,718 million decrease in long-term loans payable, offset by increases of ¥28,306 million for deposits for banking business such as those generated by account linking services with the securities business, ¥14,000 million for commercial papers, and ¥8,714 million for short-term loans payable.

<Net Assets>

Net assets at the end of the first half rose ¥17,365 million to ¥248,391 million compared with ¥231,025 million from the end of the previous fiscal year on December 31, 2011. A major

component was shareholders' equity, which grew by ¥16,570 million during the six-month period after recording of ¥19,545 million in net income for the period and payment of ¥3,283 million in cash dividends. Other contributors were increases of ¥323 million for unrealized gains or losses on available-for-sale securities and of ¥215 million for foreign currency translation adjustments.

(4) Cash Flows

Cash and cash equivalents at the end of the first half of the current fiscal year was ¥188,031 million, an increase of ¥38,279 million from the end of the previous fiscal year. Cash flow components and their major factors in the first half are as follows.

<Cash Flows from Operating Activities>

In cash flows from operating activities for the six months ended June 30, 2012, cash flows from operating activities were an inflow of ¥9,434 million compared with ¥23,418 million in the same period for the previous fiscal year. This is mainly due to income before income taxes and minority interests providing ¥33,141 million in cash inflows compared with cash outflows of ¥51,506 million for the first half of the previous fiscal year. On the other hand, there were outflows of ¥26,870 million for a net increase in accounts receivable-installment compared with ¥7,461 million in the same period of the previous fiscal year, and an outflow of ¥17,264 million for a net increase in loans for banking business compared with ¥15,048 million for the first half of the previous fiscal year.

<Cash Flows from Investing Activities>

In cash flows from investing activities for the six months ended June 30, 2012, cash flows from investing activities come to a net inflow of ¥62,878 million, compared with an outflow ¥17,166 million in the same period for the previous fiscal year. Major inflows include ¥256,069 million in proceeds from sale and redemption of securities for the banking business compared with ¥157,607 million for the first half of the previous year. Major cash outflows include ¥146,095 million related to purchase of securities for banking business, compared with ¥163,398 million in the first half of the previous fiscal year; ¥22,017 million for purchase of investments in subsidiaries resulting in change in scope of consolidation for the acquisition of Kobo Inc. and making it into a consolidated subsidiary, compared with ¥1,678 million for the first half of the previous fiscal year; and ¥9,099 million for purchase of intangible assets including software, compared with ¥7,529 million for the first half the previous fiscal year.

<Cash Flows from Financing Activities>

In cash flows from investing activities for the six months ended June 30, 2012, cash flows from financing came to a net outflow of ¥34,384 million, compared with an ¥30,690 million net inflow in the first half of the previous fiscal year. This includes net outflows of ¥36,480 million for repayment of long-term loans payable, compared with ¥52,207 million for the same period in the previous fiscal year, and ¥5,330 million for a net decrease in short-term loans payable, as opposed to a net inflow of ¥27,812 million for the same period of the previous fiscal year. In addition, a net increase in commercial papers brought in ¥14,000 million in cash inflows compared with ¥10,100 million in the first half of the previous fiscal year.

(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.

(5) 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 advance 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.

(6) 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 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 and ordinary profit for the first half of the previous fiscal year are each ¥196 million higher and loss before income taxes and minority interests for it is ¥196 million smaller 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).

According to 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.

For the stock split conducted after the statement date of the balance sheets for the first six months of the fiscal year, net income per share and net income per diluted share were calculated under the assumption that the stock split took effect at the start of the previous fiscal year.

(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 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).

2. Consolidated Financial Results for the six months ended June 30, 2012
(1) Consolidated Balance Sheets as of December 31, 2011 and June 30, 2012

(Millions of Yen)

	As of December 31, 2011	As of June 30, 2012
(Assets)		
Current assets		
Cash and deposits	88,989	198,774
Notes and accounts receivable - trade	49,667	49,280
Accounts receivable - installment	66,219	93,089
Accounts receivable - installment sales-credit guarantee	2,153	1,982
Beneficial interests in securitized assets	88,959	85,556
Cash segregated as deposits for securities business	207,503	216,352
Margin transaction assets for securities business	115,633	131,392
Operating loans	62,386	64,488
Short-term investment securities	76,600	5,800
Securities for bank business	537,790	459,543
Loans and bills discounted for banking business	155,677	172,942
Deferred tax assets-current	34,650	32,987
Other current assets	189,814	158,236
Allowance for doubtful accounts - current	(14,384)	(13,811)
Total current assets	1,661,662	1,656,613
Noncurrent assets		
Property, plant and equipment	15,804	17,591
Intangible assets		
Goodwill	115,064	129,750
Other	58,222	71,698
Total intangible assets	173,287	201,449
Investments and other assets		
Investment securities	20,684	25,242
Deferred tax assets - non-current	25,731	17,962
Other non-current assets	33,630	32,446
Allowance for doubtful accounts - non-current	(14,907)	(13,255)
Total investments and other assets	65,138	62,396
Total non-current assets	254,229	281,438
Total assets	1,915,892	1,938,051

(Millions of Yen)

	As of December 31, 2011	As of June 30, 2012
(Liabilities)		
Current liabilities		
Notes and accounts payable - trade	59,201	56,222
Accounts payable - credit guarantee	2,295	1,982
Commercial papers	19,800	33,800
Short-term loans payable	130,722	139,437
Deposits for banking business	741,501	769,807
Current portion of bonds payable	4,800	2,553
Income taxes payable	3,980	2,430
Deposits received for securities business	139,482	144,107
Margin transaction liabilities for securities business	38,229	33,408
Guarantee deposits received for securities business	79,817	81,123
Payable secured by securities for securities business	28,734	37,133
Deferred tax liabilities - current	57	43
Reserve for points	20,587	22,315
Other provision - current	3,691	3,707
Other current liabilities	205,221	203,619
Total current liabilities	1,478,125	1,531,691
Non-current liabilities		
Bonds payable	753	600
Long-term loans payable	190,746	141,028
Deferred tax liabilities - non-current	4,761	6,402
Other provision - non-current	1,433	1,386
Other non-current liabilities	7,171	6,921
Total non-current liabilities	204,867	156,339
Reserves under the special laws		
Reserve for financial products transaction liabilities	1,838	1,587
Reserve for commodities transaction liabilities	35	41
Total reserves under the special laws	1,873	1,628
Total liabilities	1,684,866	1,689,660
(Net assets)		
Shareholders' equity		
Capital stock	107,959	108,113
Capital surplus	120,030	120,185
Retained earnings	5,459	21,721
Treasury stock	(3,625)	(3,625)
Total shareholders' equity	229,824	246,394
Accumulated other comprehensive income		
Unrealized gains or losses on available-for-sale securities	2,433	2,756
Deferred gains or losses on hedges	53	(1)
Foreign currency translation adjustments	(7,854)	(7,638)
Total accumulated other comprehensive income	(5,367)	(4,883)
Subscription rights to shares	1,184	1,291
Minority interests	5,383	5,588
Total net assets	231,025	248,391
Total liabilities and net assets	1,915,892	1,938,051

(2) Consolidated Income Statements
For the six months ended June 30, 2011 and 2012

(Millions of yen)

	Six months ended June 30, 2011 (January 1 to June 30, 2011)	Six months ended June 30, 2012 (January 1 to June 30, 2012)
Net sales	177,645	200,528
Cost of sales	36,151	40,680
Gross profit	141,494	159,847
Selling, general and administrative expenses	*1 112,085	*1 124,622
Operating profit	29,408	35,224
Non-operating income		
Interest income	23	84
Dividends income	134	20
Equity in earnings of affiliates	326	341
Other non-operating income	333	303
Total non-operating income	818	750
Non-operating expenses		
Interest expenses	730	819
Commission fee	91	206
Foreign exchange loss	36	87
Other non-operating expenses	153	136
Total non-operating expenses	1,011	1,250
Ordinary profit	29,214	34,725
Extraordinary gain		
Gain on investment securities	—	338
Gain on sales of subsidiaries and affiliates' stocks	351	—
Reversal of reserve for financial instruments transaction liabilities	125	254
Other extraordinary gain	181	83
Total extraordinary gain	658	676
Extraordinary losses		
Loss on liquidation of business	—	886
Loss on business restructuring	75,939	—
Loss on disaster	1,688	—
Loss on write-off of bad debts	2,209	—
Expenses related to change of trade name	—	480
Other extraordinary loss	1,543	893
Total extraordinary losses	81,380	2,259
(Loss) income before income taxes and minority interests	(51,506)	33,141
Income taxes - current	3,530	3,375
Income taxes - deferred	(13,054)	10,029
Income tax (benefit) expense	(9,523)	13,404
(Loss) income before minority interests	(41,983)	19,737
Minority interests in (loss) income	(59)	192
Net (loss) income	(41,923)	19,545

Consolidated Comprehensive Income Statements
For the six months ended June 30, 2011 and 2012

(Millions of yen)

	Six months ended June 30, 2011 (January 1 to June 30, 2011)	Six months ended June 30, 2012 (January 1 to June 30, 2012)
(Loss) income before minority interests	(41,983)	19,737
Other comprehensive income		
Unrealized gains or losses on available-for-sale securities	(3,290)	299
Deferred gains or losses on hedges	209	(55)
Foreign currency translation adjustment	1,597	207
Share of other comprehensive (loss) income of associates accounted for using equity method	(15)	24
Total other comprehensive (loss) income	(1,498)	475
Comprehensive (loss) income	(43,481)	20,212
(Comprehensive (loss) income attributable to)		
Owners of the parent	(43,414)	20,029
Minority interests	(67)	183

(3) Consolidated Statements of Cash Flows
For the six months ended June 30, 2011 and 2012

(Millions of yen)

	Six months ended June 30, 2011 (January 1 to June 30, 2011)	Six months ended June 30, 2012 (January 1 to June 30, 2012)
Net cash provided by operating activities		
(Loss) income before income taxes and minority interests	(51,506)	33,141
Depreciation and amortization	8,249	10,147
Amortization of goodwill	3,809	3,897
Increase (decrease) in allowance for doubtful accounts	186	(2,333)
Loss on valuation of securities for banking business	803	—
Loss on business restructuring	75,939	—
Other loss	741	1,955
Decrease in notes and accounts receivable - trade	3,163	5,837
Increase in accounts receivable - installment	(7,461)	(26,870)
Decrease (increase) in beneficial interests in securitized assets	7,899	(26,844)
Decrease (increase) in operating loans receivable	9,332	(2,101)
Decrease in notes and accounts payable - trade	(1,781)	(7,571)
Increase in deposits for banking business	10,577	28,310
(Increase) decrease in call loans for banking business	(2,500)	23,000
Increase in loans for banking business	(15,048)	(17,264)
Decrease (increase) in operating assets for securities business	4,103	(23,725)
(Decrease) increase in operating liabilities for securities business	(6,985)	1,177
Increase in borrowings secured by securities for securities business	4,901	8,398
Other - net	(3,107)	3,799
Subtotal	41,317	12,956
Income taxes paid	(19,653)	(5,803)
Income taxes refund	—	1,968
Other	1,755	312
Net cash provided by operating activities	23,418	9,434
Net cash (used in) provided by investing activities		
Purchase of securities for banking business	(163,398)	(146,095)
Proceeds from sales and redemption of securities for banking business	157,607	256,069
Purchase of property, plant and equipment	(2,028)	(2,720)
Purchase of intangible assets	(7,529)	(9,099)
Purchase of investment securities	(257)	(7,444)
Purchase of investments in subsidiaries	(273)	(6,141)

(Millions of yen)

	Six months ended June 30, 2011 (January 1 to June 30, 2011)	Six months ended June 30, 2012 (January 1 to June 30, 2012)
Proceeds from partial payment due to transfer of business	4,200	—
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(1,678)	(22,017)
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	—	530
Other payments	(8,581)	(8,366)
Other proceeds	4,496	7,873
Interest and dividends received	276	291
Net cash (used in) provided by investing activities	(17,166)	62,878
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	27,812	(5,330)
Increase in commercial papers	10,100	14,000
Proceeds from long-term loans payable	55,350	110
Repayment of long-term loans payable	(52,207)	(36,480)
Redemption of bonds	(2,400)	(2,400)
Purchase of preferred stocks of a subsidiary	(5,000)	—
Interest paid	(743)	(816)
Cash dividends paid	(2,625)	(3,280)
Other	403	(186)
Net cash provided by (used in) financing activities	30,690	(34,384)
Effect of change in exchange rates on cash and cash equivalents	399	84
Net increase in cash and cash equivalents	37,341	38,012
Cash and cash equivalents at beginning of the year	100,736	149,752
Cash and cash equivalents of newly consolidated subsidiaries	898	266
Cash and cash equivalents at end of period	138,976	188,031

(4) Business Segment Information

For the six months ended June 30, 2011 (January 1 to June 30, 2011)

(Millions of Yen)

	Reporting Segment				Adjustment (Note1)	Amount shown in consolidated income statements (Note2)
	Internet Services	Internet Finance	Others	Total		
Net sales	99,434	71,870	16,693	187,999	(10,353)	177,645
Segment Operating Income	28,786	4,271	167	33,225	(3,817)	29,408

(Notes)

1. The ¥3,817 million adjustment to segment operating income consists mainly of a figure of ¥3,775 million for goodwill amortization that has not been allocated to the reporting segments, and ¥789 million for the elimination of intercompany transactions.
2. Segment operating income is reconciled to operating profit in the consolidated income statements.

For the six months ended June 30, 2012 (January 1 to June 30, 2012)

(Millions of Yen)

	Reporting Segment				Adjustment (Note1)	Amount shown in consolidated income statements (Note2)
	Internet Services	Internet Finance	Others	Total		
Net sales	125,459	72,336	16,319	214,114	(13,586)	200,528
Segment Operating Income	30,491	9,564	614	40,669	(5,445)	35,224

(Notes)

1. The ¥5,445 million adjustment to segment operating income consists mainly of a figure of ¥3,769 million for goodwill amortization that has not been allocated to the reporting segments, and ¥102 million for the elimination of intercompany transactions.
2. Segment operating income is reconciled to operating profit in the consolidated income statements.
3. As stated in (6) 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 half of the previous fiscal year by ¥243 million for Internet Services and to decrease it for the same period by ¥46 million for Internet Finance.

(Note) Major Changes in Goodwill Valuation

For the six months ended June 30, 2012 (January 1 to June 30, 2012)

The inclusion of Kobo Inc. as a subsidiary within the Internet services segment caused goodwill to be generated, which adds ¥18,562 million to the financial position as of June 30, 2012.

(5) Note

The Consolidated Income Statements

(Millions of yen)

For the six months ended June 30, 2011 (From January 1 to June 30, 2011)	For the six months ended June 30, 2012 (From January 1 to June 30, 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 5,025	Point costs 4,882
Advertisement and promotion expenses 14,586	Advertisement and promotion expenses 24,684
Personnel expenses 25,300	Personnel expenses 27,437
Provision for bonuses 2,425	Provision for bonuses 2,490
Depreciation 7,634	Depreciation 9,395
Communications and maintenance expenses 7,416	Communications and maintenance expenses 7,493
Outsourcing expenses 12,023	Outsourcing expenses 14,226
Expenses for doubtful accounts 9,002	Expenses for doubtful accounts 5,068
Reserve for loss on interest repayments 4,264	

3. Quarterly Consolidated Financial Statements
(1) Quarterly Consolidated Income Statements
For the three months ended June 30, 2011 and 2012

(Millions of yen)

	Three months ended June 30, 2011 (April 1 to June 30, 2011)	Three months ended June 30, 2012 (April 1 to June 30, 2012)
Net sales	90,724	101,821
Cost of sales	18,187	19,805
Gross profit	72,536	82,016
Selling, general and administrative expenses	*1 58,212	*1 63,974
Operating profit	14,324	18,042
Non-operating income		
Interest income	12	24
Dividends income	118	2
Equity in earnings of affiliates	218	335
Foreign exchange gain	27	—
Other non-operating income	123	107
Total non-operating income	500	469
Non-operating expenses		
Interest expenses	364	383
Commission fee	76	135
Foreign exchange loss	—	244
Other non-operating expenses	51	28
Total non-operating expenses	491	791
Ordinary profit	14,334	17,720
Extraordinary gain		
Gain on investment securities	—	338
Gain on sales of subsidiaries and affiliates' stocks	351	—
Reversal of reserve for financial instruments transaction liabilities	135	254
Other extraordinary gain	181	14
Total extraordinary gain	669	607
Extraordinary loss		
Loss on business restructuring	75,939	—
Expenses related to change of trade name	—	480
Other extraordinary loss	1,009	192
Total extraordinary losses	76,948	673
(Loss) income before income taxes and minority interests	(61,945)	17,654
Income taxes - current	(2,399)	1,447
Income taxes - deferred	(10,254)	4,220
Income tax (benefit) expense	(12,653)	5,667
(Loss) income before minority interests	(49,291)	11,986
Minority interests in (loss) income	(480)	176
Net (loss) income	(48,810)	11,810

(2) Business Segment Information

For the three months ended June 30, 2011 (April 1 to June 30, 2011)

(Millions of Yen)

	Reporting Segment				Adjustment (Note1)	Amount shown in quarterly consolidated income statements (Note2)
	Internet Services	Internet Finance	Others	Total		
Net sales	50,999	35,827	9,350	96,178	(5,454)	90,724
Segment Operating Income	15,246	485	685	16,417	(2,092)	14,324

(Notes)

1. The ¥2,092 million adjustment to segment operating income consists mainly of a figure of ¥1,894 million for goodwill amortization that has not been allocated to the reporting segments, and ¥489 million for the elimination of intercompany transactions.
2. Segment operating income is reconciled to operating profit in the quarterly consolidated income statements.

For the three months ended June 30, 2012 (April 1 to June 30, 2012)

(Millions of Yen)

	Reporting Segment				Adjustment (Note1)	Amount shown in quarterly consolidated income statements (Note2)
	Internet Services	Internet Finance	Others	Total		
Net sales	62,489	37,478	9,209	109,177	(7,356)	101,821
Segment Operating Income	14,554	5,821	1,020	21,396	(3,354)	18,042

(Notes)

1. The ¥3,354 million adjustment to segment operating income consists mainly of a figure of ¥1,772 million for goodwill amortization that has not been allocated to the reporting segments, and ¥21 million for the elimination of intercompany transactions.
2. Segment operating income is reconciled to operating profit in the quarterly consolidated income statements.
3. As stated in (6) 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 decrease segment operating income for the second quarter of the previous fiscal year by ¥641 million for Internet Services and by ¥171 million for Internet Finance, respectively.

(3) Note

The Quarterly Consolidated Income Statements

(Millions of yen)

For the three months ended June 30, 2011 (From April 1 to June 30, 2011)	For the three months ended June 30, 2012 (From April 1 to June 30, 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 2,705	Point costs 3,187
Advertisement and promotion expenses 7,229	Advertisement and promotion expenses 12,454
Personnel expenses 13,681	Personnel expenses 14,645
Provision for bonuses 550	Provision for bonuses 210
Depreciation 3,820	Depreciation 5,040
Communications and maintenance expenses 3,694	Communications and maintenance expenses 3,771
Outsourcing expenses 6,008	Outsourcing expenses 7,326
Expenses for doubtful accounts 3,968	Expenses for doubtful accounts 2,628
Reserve for loss on interest repayments 4,264	