

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 nine months ended September 30, 2012

Rakuten, Inc.  
November 6, 2012

Company name	Rakuten, Inc.	Listed	Osaka Securities Exchange
Code No	4755	URL	<a href="http://www.rakuten.co.jp/">http://www.rakuten.co.jp/</a>
Representative	(Title) Chairman and CEO	(Name)	Hiroshi Mikitani
Contact person	(Title) CFO	(Name)	Ken Takayama
Scheduled date of filing the securities report: November 6, 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 nine months ended September 30 of Fiscal 2012 (January 1 – September 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	%
Nine months ended September 30, 2012	309,625	14.5	53,819	11.4	53,200	13.4	28,994	—
Nine months ended September 30, 2011	270,458	7.1	48,301	—	46,911	—	(19,201)	—

(Note) Comprehensive income: 31,941 million yen ( — %) (Nine months ended September 30, 2012);  
(23,814) million yen ( — %) (Nine months ended September 30, 2011)

	EPS (Earning per Share)	EPS (Fully Diluted EPS)
	Yen	Yen
Nine months ended September 30, 2012	22.06	22.01
Nine months ended September 30, 2011	(14.62)	—

(Note) 1. Because of the retrospective adjustment for the change in accounting policy, the percent change comparison from the third 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 September 30, 2012	1,945,677	260,104	13.0
As of December 31, 2011	1,915,892	231,025	11.7

(Reference) Shareholders' equity and accumulated other comprehensive income: 253,241 million yen (as of September 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 previous 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 to 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)

1,320,332,500 shares (As of September 30, 2012)

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

2.Treasury stock

6,007,996 shares (As of September 30, 2012)

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

3.Average number of shares issued for the nine months ended September 30

1,313,854,321 shares (January 1 – September 30, 2012)

1,312,691,247 shares (January 1 – September 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 December 31, 2011 and September 30, 2012, and average number of shares during the nine months ended September 30, 2011 and 2012 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 Third Quarter of the Fiscal Year Ending December 31, 2012**

In the world economy during the first three quarters of the current fiscal year (January 1, 2012 – September 30, 2012), the European debt crisis was prolonged and growth in newly developing regions tapered off, which have brought about a rise in uncertainty for the world outlook. In Japan, domestic demand showed resilience, driven by such forces as earthquake restoration demands, but a slowdown of the international economy loomed in the background, so conditions continue to deserve close watch.

Meanwhile, the worldwide 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 a recent white paper on information and communications.\* In particular, the rapid diffusion of smartphones is contributing to the structural expansion of the Internet market. Boosted by the strong trends of these environmental changes, the Internet shopping market continues its steady growth in the future, both in Japan and overseas.

At Rakuten, we seek to leverage the growth potential of the Internet as a driving force for raising corporate value. We are doing this through vigorous steps to take Rakuten Ichiba's BtoBtoC marketplace model to the world and service enhancements for smartphone and tablet devices to spur further growth. We also aim to strengthen our competitiveness by improving delivery quality, from measures such as reinforcing our logistics infrastructure. In the Internet Finance business segment, we are aggressively promoting the business centering on Rakuten Card, which has notable synergies with Internet Services.

As a result of these efforts, the Rakuten Group for the first three quarters achieved solid growth with consolidated net sales of ¥309,625 million (up 14.5% year on year), operating profit of ¥53,819 million (up 11.4% year on year), and ordinary profit of ¥53,200 million (up 13.4% year on year). All three results are record highs for the first three quarters of a fiscal year. Net income for the period was ¥28,994 million, on the other hand the ¥19,201 million net loss from the same period of the previous fiscal year was recorded.

**(2) Segment Information**

Business results for each segment are as follows.

**<Internet Services>**

In the Internet Services segment during the first three quarters of the fiscal year, the customer shift to e-commerce for daily consumption continued to move forward owing to an enhanced product lineup, promotion of mobile Internet usage, expanded next-day deliveries, and other initiatives in our core Rakuten Ichiba service. Efforts to elevate Rakuten Ichiba's usability for both users and merchants contributed to firm growth in unique buyers and number of orders to sustain the segment's high performance with a 15.2% year-on-year rise in domestic e-commerce gross merchandise sales. In Travel services, we added a 13.5% year-on-year increase to gross transaction volume. Dynamic Package had solid sales and upgraded its single payment service for corporate hotel reservations in pursuit of a more diversified earnings base.

In its overseas ventures, the segment aided Rakuten's business expansion by focusing on marketplace-model businesses and rolling out initiatives including points programs that have proven successful in Japan. During the first quarter, we made Canadian-based Kobo Inc., a worldwide e-book operator, into a consolidated subsidiary. Kobo is spreading its e-book service throughout the world and opened its Japan service in July of this year.

As a result, net sales for the segment rose to ¥192,196 million, a 24.9% year-on-year increase, while segment operating income was down 0.8% year on year to ¥44,813 million due to our continued advance investments, mainly in overseas businesses.

**<Internet Finance>**

In credit card and related services, the Internet Finance segment increased its credit card membership during the first three quarters, which led to increased shopping transaction value and prompted a healthy rise in revolving shopping balances, resulting in higher commission income and a pronounced growth in its profit. 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, although stock trading volume decreased by the ongoing global depressed stock market, the number of new comprehensive accounts increased. In our aim to enrich our financial service offerings, we announced an agreement in the third quarter to include AIRIO Life Insurance Co., Ltd. ("AIRIO Life") as a consolidated subsidiary.

As a result of the above, the Internet Finance segment had ¥110,328 million in net sales, a 3.1% increase from the previous fiscal year. Segment operating profit was ¥15,546 million; a 94.2% year-on-year increase due in part to last year's recording of a ¥4,264 million allowance for loss on interest repayment taken in advance of the re-organization of the credit card business.

**<Others>**

During the first three quarters, operating profit in the Others segment firmed up, despite lower telecommunications sales stemming from the shift to a new business model emphasizing new, high-growth ventures such as cloud services while moving away from a traditional landline operator providing bypass services. The professional sports division lifted net sales through year-on-year revenue increases in both advertising and tickets.

As a result of the above, net sales for the segment were ¥25,817 million, a 3.0% year-on-year decrease, while segment operating profit grew 29.5% year on year to ¥1,787 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 third quarter amounted to ¥1,945,677 million. This represents an increase of ¥29,785 million from the total assets of ¥1,915,892 million as of December 31, 2011. Primary factors were decreases of ¥113,150 million in securities for bank business from the sale of government bonds, ¥74,865 million in beneficial interests in securitized assets in conjunction with a change in securitization scheme, and ¥64,800 million in short-term investment securities such as negotiable CDs, which were offset by increases including ¥131,018 million in cash and deposits as a result of increased deposits with the Bank of Japan in the banking business, ¥127,764 million in accounts receivable - installment in conjunction with increased card shopping and the change in securitization scheme, and ¥30,684 million in intangible assets from the acquisition of Kobo Inc. and so forth.

**<Liabilities>**

Total liabilities at the end of third quarter were up by ¥706 million to ¥1,685,572 million, compared with ¥1,684,866 million at the end of the previous fiscal year. Major factors were a decrease of ¥67,868 million in long-term loans payable, which was offset by increases of ¥34,088 million in deposits for banking business as a result of the growth in accounts at Rakuten Bank, Ltd., ¥18,500 million in commercial papers, ¥8,329 million in short-term loans payable, and ¥6,906 million in deposits received for securities business.

**<Net Assets>**

Net assets at the end of the third quarter rose ¥29,078 million to ¥260,104 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 ¥26,175 million during the period after

recording ¥28,994 million in net income for the period and paying ¥3,283 million in cash dividends. Other contributors were increases of ¥1,718 million for unrealized gains or losses on available-for-sale securities and ¥947 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 previous 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 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.

#### **(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 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 quarterly and annual financial statements for the previous year are presented after retrospective application.

As a result, the amounts for operating profit and ordinary profit for the first three quarters of the previous fiscal year are each ¥130 million higher and loss before income taxes and minority interests for it is ¥130 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 during the three months ended September 30, 2012, 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 nine months ended September 30, 2012**  
**(1) Consolidated Balance Sheets as of December 31, 2011 and September 30, 2012**

(Millions of Yen)

	As of December 31, 2011	As of September 30, 2012
(Assets)		
Current assets		
Cash and deposits	88,989	220,008
Notes and accounts receivable - trade	49,667	50,804
Accounts receivable - installment	66,219	193,983
Accounts receivable - installment sales-credit guarantee	2,153	1,879
Beneficial interests in securitized assets	88,959	14,094
Cash segregated as deposits for securities business	207,503	217,315
Margin transaction assets for securities business	115,633	117,520
Operating loans	62,386	67,081
Short-term investment securities	76,600	11,800
Securities for bank business	537,790	424,640
Loans and bills discounted for banking business	155,677	183,318
Deferred tax assets - current	34,650	32,660
Other current assets	189,814	146,973
Allowance for doubtful accounts - current	(14,384)	(14,115)
Total current assets	1,661,662	1,667,963
Non-current assets		
Property, plant and equipment	15,804	18,506
Intangible assets		
Goodwill	115,064	131,483
Other	58,222	72,488
Total intangible assets	173,287	203,971
Investments and other assets		
Investment securities	20,684	26,273
Deferred tax assets - non-current	25,731	17,187
Other non-current assets	33,630	23,705
Allowance for doubtful accounts - non-current	(14,907)	(11,930)
Total investments and other assets	65,138	55,236
Total non-current assets	254,229	277,714
Total assets	1,915,892	1,945,677



(Millions of Yen)

	As of December 31, 2011	As of September 30, 2012
<b>(Liabilities)</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	59,201	57,786
Accounts payable - credit guarantee	2,295	1,879
Commercial papers	19,800	38,300
Short-term loans payable	130,722	139,051
Deposits for banking business	741,501	775,589
Current portion of bonds payable	4,800	2,273
Income taxes payable	3,980	4,528
Deposits received for securities business	139,482	146,389
Margin transaction liabilities for securities business	38,229	30,155
Guarantee deposits received for securities business	79,817	78,907
Payable secured by securities for securities business	28,734	45,010
Deferred tax liabilities - current	57	44
Reserve for points	20,587	23,596
Other provision - current	3,691	5,611
Other current liabilities	205,221	192,284
<b>Total current liabilities</b>	<b>1,478,125</b>	<b>1,541,408</b>
<b>Non-current liabilities</b>		
Bonds payable	753	480
Long-term loans payable	190,746	122,878
Deferred tax liabilities - non-current	4,761	10,653
Other provision - non-current	1,433	1,357
Other non-current liabilities	7,171	7,166
<b>Total non-current liabilities</b>	<b>204,867</b>	<b>142,535</b>
<b>Reserves under the special laws</b>		
Reserve for financial products transaction liabilities	1,838	1,587
Reserve for commodities transaction liabilities	35	41
<b>Total reserves under the special laws</b>	<b>1,873</b>	<b>1,628</b>
<b>Total liabilities</b>	<b>1,684,866</b>	<b>1,685,572</b>
<b>(Net assets)</b>		
<b>Shareholders' equity</b>		
Capital stock	107,959	108,191
Capital surplus	120,030	120,263
Retained earnings	5,459	31,170
Treasury stock	(3,625)	(3,625)
<b>Total shareholders' equity</b>	<b>229,824</b>	<b>255,999</b>
<b>Accumulated other comprehensive income</b>		
Unrealized gains or losses on available-for-sale securities	2,433	4,152
Deferred gains or losses on hedges	53	(3)
Foreign currency translation adjustments	(7,854)	(6,907)
<b>Total accumulated other comprehensive income</b>	<b>(5,367)</b>	<b>(2,758)</b>
Subscription rights to shares	1,184	1,366
Minority interests	5,383	5,497
<b>Total net assets</b>	<b>231,025</b>	<b>260,104</b>
<b>Total liabilities and net assets</b>	<b>1,915,892</b>	<b>1,945,677</b>

**(2) Consolidated Income Statements**  
**For the nine months ended September 30, 2011 and 2012**

(Millions of yen)

	Nine months ended September 30, 2011 (January 1 to September 30, 2011)	Nine months ended September 30, 2012 (January 1 to September 30, 2012)
Net sales	270,458	309,625
Cost of sales	55,583	63,740
Gross profit	214,874	245,884
Selling, general and administrative expenses	*1 166,573	*1 192,065
Operating profit	48,301	53,819
Non-operating income		
Interest income	56	112
Dividends income	136	30
Equity in earnings of affiliates	480	543
Foreign exchange gain	200	—
Other non-operating income	416	445
Total non-operating income	1,290	1,131
Non-operating expenses		
Interest expenses	1,223	1,168
Foreign exchange losses	—	110
Commission fee	1,196	276
Other non-operating expenses	260	195
Total non-operating expenses	2,680	1,750
Ordinary profit	46,911	53,200
Extraordinary gains		
Gain on investment securities	—	338
Gain on sales of subsidiaries and affiliates' stocks	355	—
Reversal of reserve for financial instruments transaction liabilities	125	254
Other extraordinary gains	181	107
Total extraordinary gains	663	701
Extraordinary losses		
Loss on liquidation of business	—	886
Loss on business restructuring	76,487	—
Loss on disaster	1,712	—
Loss on write-off of bad debts	2,174	—
Other extraordinary losses	1,872	2,106
Total extraordinary losses	82,248	2,992
(Loss) income before income taxes and minority interests	(34,673)	50,909
Income taxes - current	5,297	6,114
Income taxes - deferred	(21,630)	15,446
Income tax (benefit) expense	(16,333)	21,561
(Loss) income before minority interests	(18,340)	29,347
Minority interests in income	861	353
Net (loss) income	(19,201)	28,994

**Consolidated Comprehensive Income Statements**  
**For the nine months ended September 30, 2011 and 2012**

(Millions of yen)

	Nine months ended September 30, 2011 (January 1 to September 30, 2011)	Nine months ended September 30, 2012 (January 1 to September 30, 2012)
(Loss) income before minority interests	(18,340)	29,347
Other comprehensive income		
Unrealized gains or losses on available-for-sale securities	(2,870)	1,689
Deferred gains or losses on hedges	209	(57)
Foreign currency translation adjustment	(2,801)	933
Share of other comprehensive (loss) income of associates accounted for using equity method	(12)	28
Total other comprehensive (loss) income	(5,474)	2,593
Comprehensive (loss) income	(23,814)	31,941
(Comprehensive (loss) income attributable to)		
Owners of the parent	(24,622)	31,602
Minority interests	807	338

### (3) Business Segment Information

For the nine months ended September 30, 2011 (January 1 to September 30, 2011)

(Millions of Yen)

	Reporting Segment				Adjustment (Note1)	Amount shown in consolidated income statements (Note2)
	Internet Services	Internet Finance	Others	Total		
Net sales	153,820	107,030	26,604	287,455	(16,996)	270,458
Segment Operating Income	45,186	8,004	1,380	54,571	(6,270)	48,301

(Notes)

1. The ¥6,270 million adjustment to segment operating income consists mainly of a figure of ¥5,636 million for goodwill amortization that has not been allocated to the reporting segments, and ¥1,016 million for gains of the elimination of intercompany transactions.
2. Segment operating income is reconciled to operating profit in the consolidated income statements.

For the nine months ended September 30, 2012 (January 1 to September 30, 2012)

(Millions of Yen)

	Reporting Segment				Adjustment (Note1)	Amount shown in consolidated income statements (Note2)
	Internet Services	Internet Finance	Others	Total		
Net sales	192,196	110,328	25,817	328,341	(18,716)	309,625
Segment Operating Income	44,813	15,546	1,787	62,148	(8,328)	53,819

(Notes)

1. The ¥8,328 million adjustment to segment operating income consists mainly of a figure of ¥5,692 million for goodwill amortization that has not been allocated to the reporting segments, and ¥34million for gains of the elimination of intercompany transactions.
2. Segment operating income is reconciled to operating profit in the consolidated 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 three quarters of the previous fiscal year by ¥216 million for Internet Services and to decrease it for the same period by ¥85 million for Internet Finance.

**(4) Note**

## Consolidated Income Statements

(Millions of yen)

<b>For the nine months ended September 30, 2011</b> (From January 1 to September 30, 2011)	<b>For the nine months ended September 30, 2012</b> (From January 1 to September 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.																																		
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Point costs</td> <td style="text-align: right;">7,674</td> </tr> <tr> <td>Advertisement and promotion expenses</td> <td style="text-align: right;">22,490</td> </tr> <tr> <td>Personnel expenses</td> <td style="text-align: right;">37,240</td> </tr> <tr> <td>Provision for bonuses</td> <td style="text-align: right;">4,600</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">11,555</td> </tr> <tr> <td>Communications and maintenance expenses</td> <td style="text-align: right;">11,006</td> </tr> <tr> <td>Outsourcing expenses</td> <td style="text-align: right;">18,493</td> </tr> <tr> <td>Expenses for doubtful accounts</td> <td style="text-align: right;">11,876</td> </tr> <tr> <td>Reserve for loss on interest repayments</td> <td style="text-align: right;">4,264</td> </tr> </table>	Point costs	7,674	Advertisement and promotion expenses	22,490	Personnel expenses	37,240	Provision for bonuses	4,600	Depreciation	11,555	Communications and maintenance expenses	11,006	Outsourcing expenses	18,493	Expenses for doubtful accounts	11,876	Reserve for loss on interest repayments	4,264	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Point costs</td> <td style="text-align: right;">8,120</td> </tr> <tr> <td>Advertisement and promotion expenses</td> <td style="text-align: right;">38,398</td> </tr> <tr> <td>Personnel expenses</td> <td style="text-align: right;">41,694</td> </tr> <tr> <td>Provision for bonuses</td> <td style="text-align: right;">4,290</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">14,287</td> </tr> <tr> <td>Communications and maintenance expenses</td> <td style="text-align: right;">11,253</td> </tr> <tr> <td>Outsourcing expenses</td> <td style="text-align: right;">21,716</td> </tr> <tr> <td>Expenses for doubtful accounts</td> <td style="text-align: right;">7,410</td> </tr> </table>	Point costs	8,120	Advertisement and promotion expenses	38,398	Personnel expenses	41,694	Provision for bonuses	4,290	Depreciation	14,287	Communications and maintenance expenses	11,253	Outsourcing expenses	21,716	Expenses for doubtful accounts	7,410
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## (5) Significant Subsequent Events

For the three months ended September 30, 2012 (July 1 to September 30, 2012)

(Business combination resulting from acquisition)

The Board of Directors at a meeting on September 20, 2012, resolved to enter into individual share transfer agreements in accordance with a master agreement for the transfer of shares of AIRIO Life Insurance Co., Ltd. ("AIRIO Life"), an equity method affiliate, from its existing shareholders; to execute the share acquisition on October 31, 2012; and to change the status of AIRO Life to a consolidated subsidiary.

### 1) Summary of business combination

#### a. Name and business of the acquired company

Name : AIRIO Life Insurance Co., Ltd.

Type of business : Life insurance business

#### b. Main reasons for business combination

As a result of constant expansion to date, the Rakuten Group is now handling 133 life and non-life insurance products underwritten by 44 insurance companies (as of September 30, 2012). Rakuten and the AIRIO Life equity affiliate have been working together to develop new Internet-based insurance products under a close collaborative framework that enables effective sharing of various know-how and functions between the two companies.

Given the increasingly diversified methods to provide information and conduct transactions along with advances in technology, use of the Internet in the life insurance business is expected to expand further. In consideration of this business environment, the inclusion of AIRIO Life as a Rakuten subsidiary is expected to strengthen its insurance business as a core service and to further enrich the Rakuten Group's financial services offered to customers.

c. Date of business combination : October 31, 2012

d. Legal form of business combination : Share acquisition

e. Name of company after business combination : Unchanged

#### f. Percentage of voting rights acquired

Percentage of voting rights before business combination : 33.9%

Percentage of voting rights acquired on date of business combination : 53.9%

Percentage of voting rights after acquisition : 87.8%

#### g. Reason for determination of acquiring company

Rakuten, Inc. acquired all shares by means of consideration in cash.

### 2) Acquisition cost of the acquired company

Consideration in cash

Shares of AIRIO Life acquired on date of business combination: ¥11,515 million

\* The funds for business combination are borrowings from financial institutions.

In addition, the shares held in AIRO Life prior to the business combination are on the process of calculation based on the market value on the day of business combination.

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

(Millions of yen)

	Three months ended September 30, 2011 (July 1 to September 30, 2011)	Three months ended September 30, 2012 (July 1 to September 30, 2012)
Net sales	92,813	109,097
Cost of sales	19,432	23,060
Gross profit	73,380	86,037
Selling, general and administrative expenses	*1 54,488	*1 67,442
Operating profit	18,892	18,594
Non-operating income		
Interest income	33	27
Dividends income	2	9
Equity in earnings of affiliates	153	201
Foreign exchange gain	236	—
Other non-operating income	83	141
Total non-operating income	508	380
Non-operating expenses		
Interest expenses	492	349
Commission fee	1,104	69
Foreign exchange losses	—	22
Other non-operating expenses	107	58
Total non-operating expenses	1,704	500
Ordinary profit	17,696	18,475
Extraordinary gains	4	24
Extraordinary losses	867	732
Income before income taxes and minority interests	16,833	17,767
Income taxes - current	1,766	2,739
Income taxes - deferred	(8,576)	5,417
Income tax (benefit) expense	(6,809)	8,157
Income before minority interests	23,642	9,609
Minority interests in income	921	160
Net income	22,721	9,449

## (2) Business Segment Information

For the three months ended September 30, 2011 (July 1 to September 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	54,386	35,159	9,910	99,456	(6,642)	92,813
Segment Operating Income	16,399	3,732	1,213	21,345	(2,452)	18,892

(Notes)

1. The ¥2,452 million adjustment to segment operating income consists mainly of a figure of ¥1,861 million for goodwill amortization that has not been allocated to the reporting segments, and ¥228 million for gains of 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 September 30, 2012 (July 1 to September 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	66,736	37,992	9,498	114,227	(5,129)	109,097
Segment Operating Income	14,322	5,982	1,173	21,478	(2,883)	18,594

(Notes)

1. The ¥2,883 million adjustment to segment operating income consists mainly of a figure of ¥1,923 million for goodwill amortization that has not been allocated to the reporting segments, and ¥68 million for losses of the elimination of intercompany transactions.
2. Segment operating income is reconciled to operating profit in the quarterly consolidated 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 decrease segment operating income for the third quarter of the previous fiscal year by ¥26 million for Internet Services and by ¥39 million for Internet Finance, respectively.



**(3) Note**

Quarterly Consolidated Income Statements

(Millions of yen)

<b>For the three months ended September 30, 2011</b> (From July 1 to September 30, 2011)	<b>For the three months ended September 30, 2012</b> (From July 1 to September 30, 2012)																																
<p>*1 The breakdown of selling, general and administrative expenses is as follows.</p> <table> <tr> <td>Point costs</td> <td style="text-align: right;">2,648</td> </tr> <tr> <td>Advertisement and promotion expenses</td> <td style="text-align: right;">7,904</td> </tr> <tr> <td>Personnel expenses</td> <td style="text-align: right;">11,939</td> </tr> <tr> <td>Provision for bonuses</td> <td style="text-align: right;">2,174</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">3,920</td> </tr> <tr> <td>Communications and maintenance expenses</td> <td style="text-align: right;">3,589</td> </tr> <tr> <td>Outsourcing expenses</td> <td style="text-align: right;">6,469</td> </tr> <tr> <td>Expenses for doubtful accounts</td> <td style="text-align: right;">2,873</td> </tr> </table>	Point costs	2,648	Advertisement and promotion expenses	7,904	Personnel expenses	11,939	Provision for bonuses	2,174	Depreciation	3,920	Communications and maintenance expenses	3,589	Outsourcing expenses	6,469	Expenses for doubtful accounts	2,873	<p>*1 The breakdown of selling, general and administrative expenses is as follows.</p> <table> <tr> <td>Point costs</td> <td style="text-align: right;">3,237</td> </tr> <tr> <td>Advertisement and promotion expenses</td> <td style="text-align: right;">13,713</td> </tr> <tr> <td>Personnel expenses</td> <td style="text-align: right;">14,256</td> </tr> <tr> <td>Provision for bonuses</td> <td style="text-align: right;">1,799</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">4,892</td> </tr> <tr> <td>Communications and maintenance expenses</td> <td style="text-align: right;">3,760</td> </tr> <tr> <td>Outsourcing expenses</td> <td style="text-align: right;">7,490</td> </tr> <tr> <td>Expenses for doubtful accounts</td> <td style="text-align: right;">2,341</td> </tr> </table>	Point costs	3,237	Advertisement and promotion expenses	13,713	Personnel expenses	14,256	Provision for bonuses	1,799	Depreciation	4,892	Communications and maintenance expenses	3,760	Outsourcing expenses	7,490	Expenses for doubtful accounts	2,341
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