

# Overview of Q2 and 1<sup>ST</sup> Half of 2007

August 21, 2007  
Rakuten, Inc

This presentation includes forward-looking statements relating to our future plans, targets, objectives, expectations and intentions. The forward-looking statements reflect management's current assumptions and expectations of future events, and accordingly, they are inherently susceptible to uncertainties and changes in circumstances and are not guarantees of future performance. Actual results may differ materially, for a wide range of possible reasons, including general industry and market conditions and general international economic conditions. In light of the many risks and uncertainties, you are advised not to put undue reliance on these statements. The management targets included in this presentation are not projections, and do not represent management's current estimates of future performance. Rather, they represent targets that management strive to achieve through the successful implementation of the Company's business strategies. The Company may be unsuccessful in implementing its business strategies, and management may fail to achieve its targets. The Company is under no obligation – and expressly disclaims any such obligation – to update or alter its forward-looking statements.

## **1** 2007 Second Quarter: Consolidated Operating Results

## **2** Topics From the Second Quarter of the Year

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1. Rakuten Ichiba Business
2. KC Business
3. Personal Finance Business
4. Travel Business
5. Securities Business
6. Infoseek and Advertising Business
7. Professional Sports Business

## **4** 2007 First Half: Consolidated Operating Results

## **Appendix**

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## 2007 Second Quarter Consolidated Financial Results

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## ■ Maintaining Growth from Rakuten Ichiba



- Number of stores surpasses 20,000
- Number of Rakuten members exceeds 30 million
- Regional strategies enhanced

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## ■ Profitability for Rakuten KC



- Dramatic decline in expenses associated with doubtful accounts and general expenses

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## ■ Investment in New Businesses



- Acquisition of Fusion Communications
- Launch of Rakuten Messenger
- Establishment of Rakuten Bank@TTB

### ■ Continuing High Growth in Rakuten Travel



- Raised gross booking value of reservations by 23.5%
- Maintain high profit margin

### ■ Enhance Product Lineup in the Securities Business



- High-level growth in earnings from foreign stocks, foreign bonds, and investment trusts
- Push forward with efforts to diversify revenue sources

### ■ Sale of Ctrip.com Shares



- Profit from sold of shares of ¥45.5 billion (non-consolidated)
- Further development of service-side ties anticipated

# 2007/Q2 Financial Overview (QoQ)



(Billion Yen)

	2007/Q1			2007/Q2							
	Revenue	OP	EBITDA	Revenue	QoQ	OP	QoQ	OP margin	EBITDA	QoQ	EBITDA Margin
E-Commerce	17.31	4.45	5.91	18.32	+5.8%	5.30	+19.0%	29.0%	7.06	+19.6%	38.6%
Credit·Payment	18.05	-0.34	0.48	17.94	-0.6%	0.01	-	0.1%	1.90	+295.7%	10.6%
Portal Media	3.66	0.20	0.35	3.60	-1.8%	-0.03	-	-1.1%	0.14	-60.8%	3.9%
Travel	2.88	1.29	1.63	3.11	+8.0%	1.42	+10.2%	45.7%	1.77	+8.5%	57.0%
Securities	7.92	1.35	2.88	7.35	-7.2%	1.53	+13.6%	20.9%	1.85	-35.8%	25.2%
Professional Sports	0.96	-0.89	-0.70	2.88	+199.2%	0.27	-	9.6%	0.51	-	17.9%
Corporate and Internal elimination	-2.37	0.10	0.16	-2.72	-	-1.22	-	-	-1.07	-	-
consolidated	48.43	6.16	10.72	50.49	+4.3%	7.29	+18.3%	14.4%	12.17	+13.5%	24.1%

\* EBITDA=Ordinary profit + Interest expense + Depreciation and Amortization + Amortization of Consolidation Adjustment Account -Effect of securitizing loan receivables

# 2007/Q2 Financial Overview (YoY)

(Billion Yen)

	2007/Q2							
	Revenue	YoY	Operating Profit	YoY	OP margin	EBITDA	YoY	EBITDA margin
E-Commerce	18.32	<b>+33.0%</b>	5.30	<b>+43.8%</b>	29.0%	7.06	<b>+42.5%</b>	38.6%
Credit·Payment	17.94	<b>-14.0%</b>	0.01	-	0.1%	1.90	-	10.6%
Portal Media	3.60	<b>+13.0%</b>	-0.03	-	- 1.1%	0.13	-	3.9%
Travel	3.11	<b>+26.2%</b>	1.42	<b>+43.9%</b>	45.7%	1.77	<b>+36.7%</b>	57.0%
Securities	7.35	<b>-38.0%</b>	1.53	<b>-67.0%</b>	20.9%	1.85	<b>-69.8%</b>	25.2%
Professional Sports	2.88	<b>+3.2%</b>	0.27	<b>+2.8%</b>	9.6%	0.51	<b>+8.1%</b>	17.9%
Corporate and Internal elimination	-2.72	-	-1.22	-	-	-1.07	-	-
<b>consolidated</b>	<b>50.49</b>	<b>-5.0%</b>	<b>7.29</b>	<b>- 13.1%</b>	<b>+14.4%</b>	<b>12.17</b>	<b>+ 2.0%</b>	<b>24.1%</b>

\* EBITDA=Ordinary profit + Interest expense + Depreciation and Amortization + Amortization of Consolidation Adjustment Account -Effect of securitizing loan receivables

# 2007/Q2 Financial Overview (QoQ)



(Billion Yen)

Segment	BU/Company	07/Q1		07/Q2				
		Sales	Operating Profit	Sales	YoY	Operating Profit	YoY	OP Margin
E-Commerce	<b>Rakuten Ichiba Business</b>	11.50	5.50	<b>11.73</b>	+2.0%	<b>5.65</b>	+2.7%	48.2%
E-Commerce	<b>Rakuten Books*1</b>	3.47	-0.05	<b>3.19</b>	-8.0%	<b>-0.07</b>	-	-2.4%
E-Commerce	<b>Rakuten Auction*1</b>	0.33	-0.66	<b>0.30</b>	-9.2%	<b>-0.47</b>	-	-154.2%
E-Commerce	<b>LinkShare*1,3</b>	1.54	0.44	<b>1.69</b>	+10.1%	<b>0.54</b>	+22.1%	31.9%
Credit and Payment	<b>Rakuten KC*1</b>	14.70	-0.60	<b>15.21</b>	+3.5%	<b>0.04</b>	-	0.3%
Credit and Payment	<b>Rakuten Credit*1</b>	3.33	1.14	<b>2.68</b>	-19.5%	<b>0.32</b>	-71.7%	12.1%
Travel	<b>Rakuten Travel*1</b>	2.79	1.26	<b>3.03</b>	+8.7%	<b>1.35</b>	+6.8%	44.7%
Securities	<b>Rakuten Securities*1</b>	7.33	1.93	<b>7.23</b>	-1.3%	<b>1.75</b>	-9.1%	24.3%
Professional Sports	<b>Rakuten Baseball*1</b>	0.88	-0.89	<b>2.61</b>	+196.3%	<b>0.20</b>	-	7.8%
Potal and Media	<b>Infoseek, Advertising Business</b>	1.62	0.17	<b>1.63</b>	+0.4%	<b>0.00</b>	-95.9%	0.4%
	<b>Other Business Units</b>	3.25	-1.35	<b>3.85</b>	+18.3%	<b>-0.89</b>	-	-23.1%
	<b>Amortization of Goodwill</b>	-	-0.84	-	-	<b>-0.86</b>	-	-
	<b>Corporate and Internal elimination*2</b>	-2.37	0.10	<b>-2.72</b>	-	<b>-0.29</b>	-	-
	<b>Consolidated</b>	<b>48.43</b>	<b>6.16</b>	<b>50.49</b>	<b>+4.3%</b>	<b>7.29</b>	<b>+18.3%</b>	<b>14.4%</b>

\*1 Entity basis

\*2 Segment in consolidated financial statements

\*3 Pro forma basis, US\$=¥118.05(07/Q1),US\$=¥123.26(07/Q2)



# 2007/Q2 Financial Overview (YoY)



(Billion Yen)

Segment	BU/Company	06/Q2		07/Q2				
		Sales	Operating Profit	Sales	YoY	Operating Profit	YoY	OP Margin
E-Commerce	<b>Rakuten Ichiba Business</b>	9.71	3.92	<b>11.73</b>	+20.8%	<b>5.65</b>	+43.9%	48.2%
E-Commerce	<b>Rakuten Books*1</b>	1.98	0.04	<b>3.19</b>	+61.3%	<b>-0.07</b>	-	-2.4%
E-Commerce	<b>Rakuten Auction*1</b>	0.21	-0.09	<b>0.30</b>	+41.7%	<b>-0.47</b>	-	-154.2%
E-Commerce	<b>LinkShare*1,3</b>	1.41	0.43	<b>1.69</b>	+20.1%	<b>0.54</b>	+23.5%	31.9%
Credit and Payment	<b>RakutenKC*1</b>	19.09	-0.47	<b>15.21</b>	-20.3%	<b>0.04</b>	-	0.3%
Credit and Payment	<b>Rakuten Credit*1</b>	1.74	0.04	<b>2.68</b>	+54.4%	<b>0.32</b>	+551.7%	12.1%
Travel	<b>Rakuten Travel*1</b>	2.41	1.00	<b>3.03</b>	+25.3%	<b>1.35</b>	+35.0%	44.7%
Securities	<b>Rakuten Securities*1</b>	8.61	3.37	<b>7.23</b>	-16.0%	<b>1.75</b>	-47.9%	24.3%
Professional Sports	<b>Rakuten Baseball*1</b>	2.54	0.21	<b>2.61</b>	+2.7%	<b>0.20</b>	-3.7%	7.8%
Portal and Media	<b>Infoseek, Advertising Business</b>	1.49	-0.06	<b>1.63</b>	+8.9%	<b>0.00</b>	-111.5%	0.4%
	<b>Other Business Units</b>	5.69	1.18	<b>3.85</b>	-32.3%	<b>-0.89</b>	-	-23.1%
	<b>Amortization of Goodwill</b>	-	-0.72	-	-	<b>-0.86</b>	-	-
	<b>Corporate and Internal elimination*2</b>	-1.79	-0.49	<b>-2.72</b>	-	<b>-0.29</b>	-	-
	<b>Consolidated</b>	<b>53.14</b>	<b>8.39</b>	<b>50.49</b>	<b>-5.0%</b>	<b>7.29</b>	<b>-13.1%</b>	<b>14.4%</b>

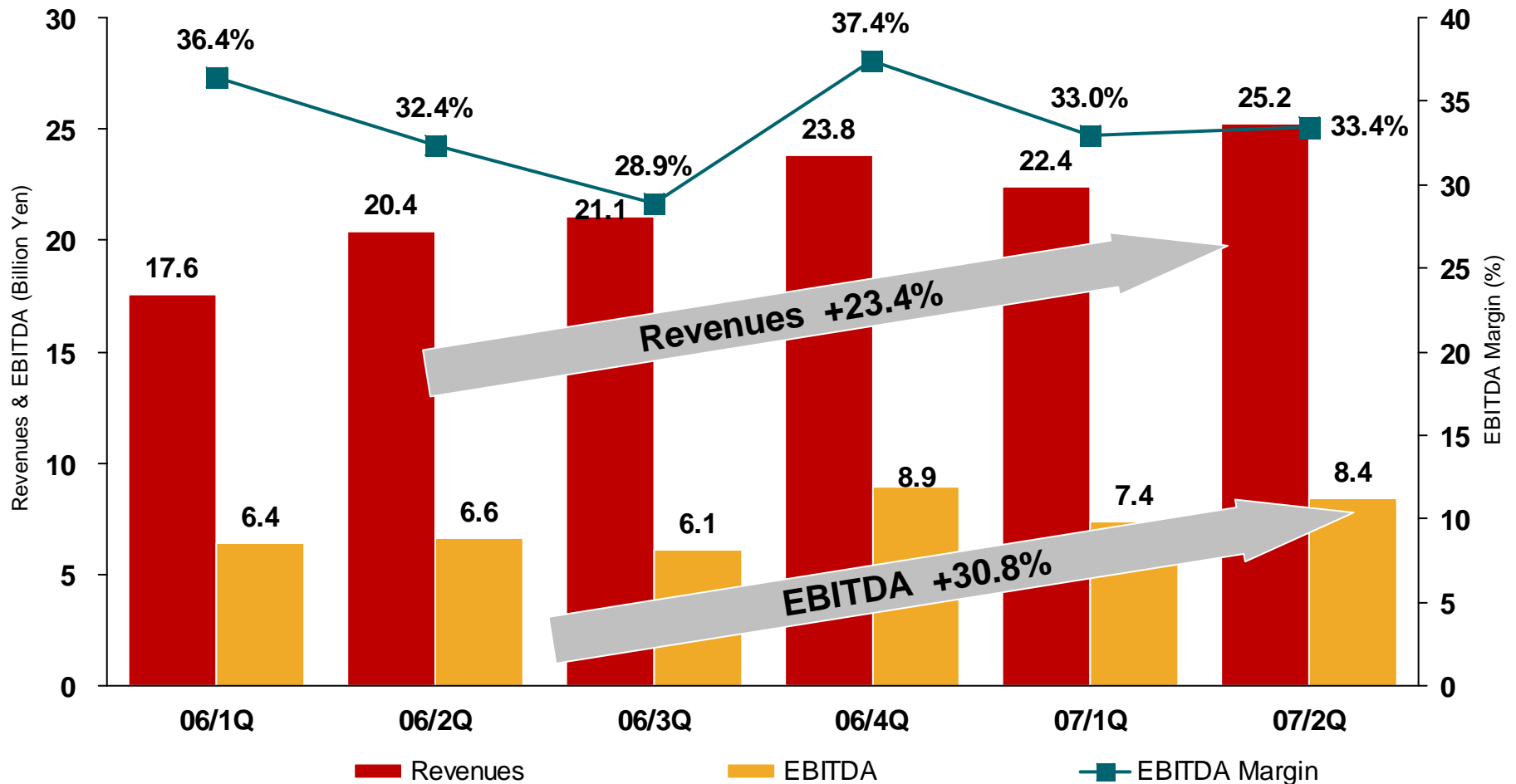
\*1 Entity basis

\*2 Segment in consolidated financial statements

\*3 Pro forma basis, US\$=¥115.24(06/Q2),US\$=¥123.26(07/Q2)

# Quarterly Consolidated Revenues and EBITDA (excl. Financial related business)

- Consolidated revenues (excl. Financial related business) +23.4% (YoY)
- EBITDA continues growth +30.8%



\* EBITDA=Ordinary profit + Interest expense + Depreciation and Amortization + Amortization of goodwill- Effect of securitizing loan receivables

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## **Topics From the Second Quarter of the Year**

## ■ Aims

- Use voice communications services to further enhance the customer appeal of the “Rakuten eco-system”
- Draw in users from the offline economic sphere (“web+voice”)

## ■ Strengths of Fusion Communications

- Pioneer in IP telephony
- Advanced IP technological and operations capabilities
- Leading-edge service development capabilities



## ■ Schedule

- June 19, 2007 Conclusion of stock transfer contract
- August 7, 2007 Acquired 54.27% voting rights from Tokyo Electric Power Company
- September 30, 2007  
Official consolidation date (scheduled);  
Profit/loss will be included in the consolidated  
income statement from the Q4/2007



**Rakuten Bank@TTB**  
(Tokyo Tomin Bank, Inc., Rakuten Branch)  
Services Commenced July 23

## Aims

- I. Provide reasonable and convenient settlement services to Rakuten members
- II. Bolster Rakuten Membership Database by gaining settlement information
- III. Bring bank settlement services to the “Rakuten eco-system”

Rakuten Bank@TTB is operated by the Rakuten Branch of Tokyo Tomin Bank.

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## Rakuten Bank@TTB offers convenient and secure banking services to Rakuten Group members

### Accessible Anytime

Via PC, mobile, or ATMs at Seven – Eleven Japan

Accessible **24** hours, **365** days

### Accessible Anywhere

Offered through ATMs across Japan

approx **150,000** ATMs nationwide

### More Convenient Than Ever! Rakuten Offers Increasing Opportunities to Use Banking Services

#### FACT1 Rakuten Bank Settlement



Settlement services when shopping at Rakuten Ichiba are easier, more reliable, and save the customer money

#### FACT2 Cash and Credit in a Single Card



Combining credit and cash functions in a single card means points add up quickly

#### FACT3 Real-time Deposits



Real-time account deposits for greater convenience

Even more convenient services are around the corner for Rakuten Group members...



Rakuten Bank@TTB is operated by the Rakuten Branch of Tokyo Tomin Bank.

- **Shares sold:** Common shares of Ctrip.com International, Ltd.  
(1 common share =2 ADS)
- **No. of shares sold:** 6,645,000 shares (Shares held after sale: 0)
- **Sale price:** US\$487.3 million (¥57.50 billion; US\$1=¥117.99)
- **Profit from sale:** ¥45.51 billion (non-consolidated)  
¥53.83 billion (consolidated)

\*Difference between consolidated and non-consolidated figures due to the lump-sum amortization of goodwill in the consolidated financial statements when the stocks was acquired

- **Date of stock transfer:** August 15
- **Background:** Ctrip and Rakuten deemed to purchase cooperation business tie without capital relationship. This move aims to strengthen service-side alliances with Ctrip in the Travel Business and other areas going forward, and will also help to further stabilize Rakuten's financial basis.

## **3** Operating Results by Key Business Units

1. Rakuten Ichiba Business
2. KC Business
3. Personal Finance Business
4. Travel Business
5. Securities Business
6. Infoseek and Advertising Business
7. Professional Sports Business



E-Commerce Business
Rakuten Ichiba*2
Greeting Service *2
Business Service *2
Stuffed Animal Greeting Cards *2
Golf *2
Auto *2
Delivery *2
Books & Media
Auction
Fine Wine
Dining
Tickets
Performance Marketing (LinkShare)
Horse Racing Mall

Portal and Media Business
Infoseek
Advertising
Blog
Research
Career Service
Target
Downloads
CS Television
Internet Television
Cross Media
Messenger*3

Travel Business
Travel

Credit and Payment Business
Personal Finance
KC
Banking (Alliance with TTB)

Securities Business
Securities
Capital Investments
Asset Management
Property Management

Professional Sports Business
Professional Sports

\*1 Excluding Incubation Businesses

\*2 E-Commerce businesses operated by Rakuten, Inc in Q2/2007

\*3 Move into Segment from common item in Q2/2007

## -1 Rakuten Ichiba Business

## ■ Maintain a High Operating Profit Margin and Growth Rate



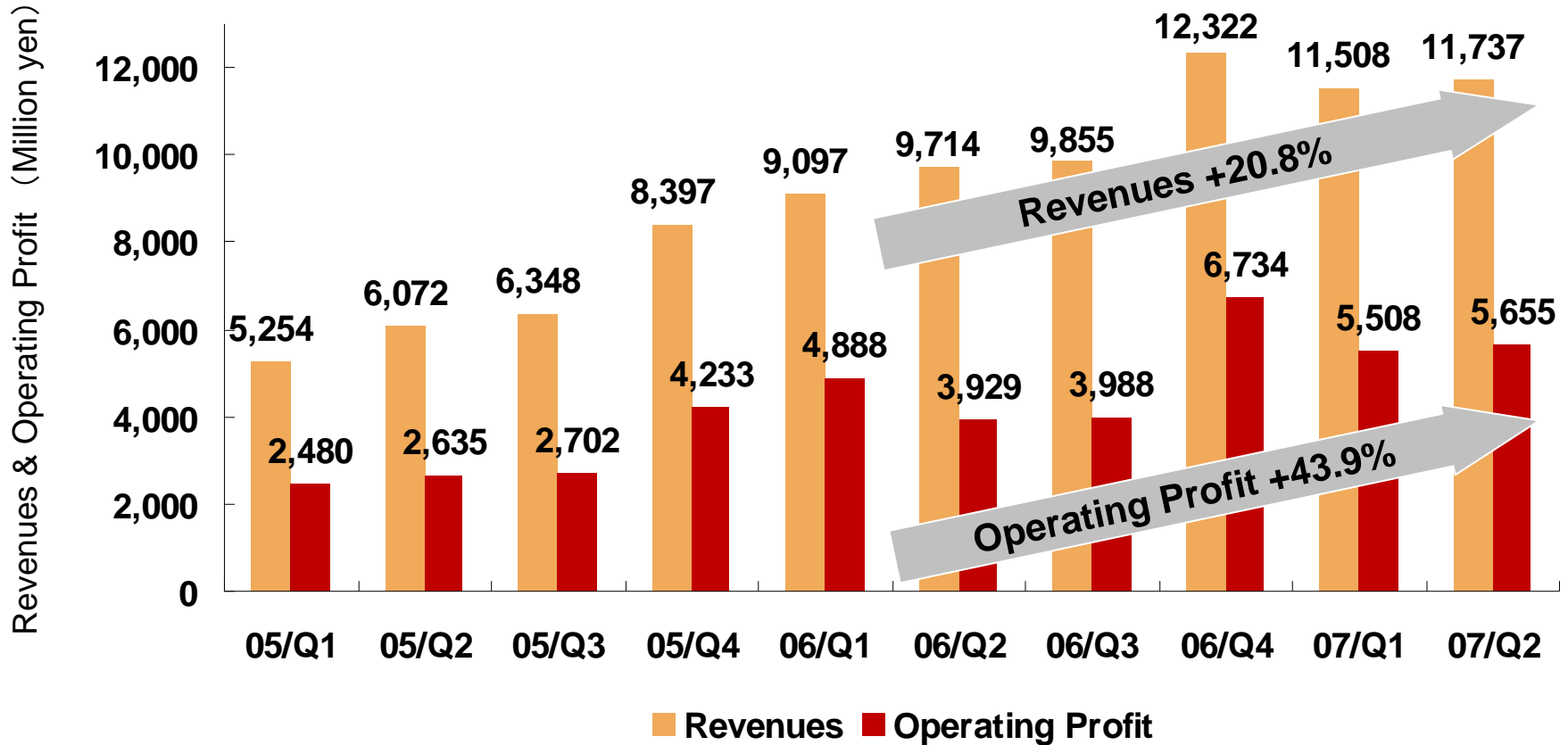
- Sales up 20.8%(YoY), operating income exhibiting high growth, up 43.9% (YoY)
- Substantial operating income growth due to cost control

## ■ Continuously Increase “Gravitational Pull” of Rakuten Ichiba



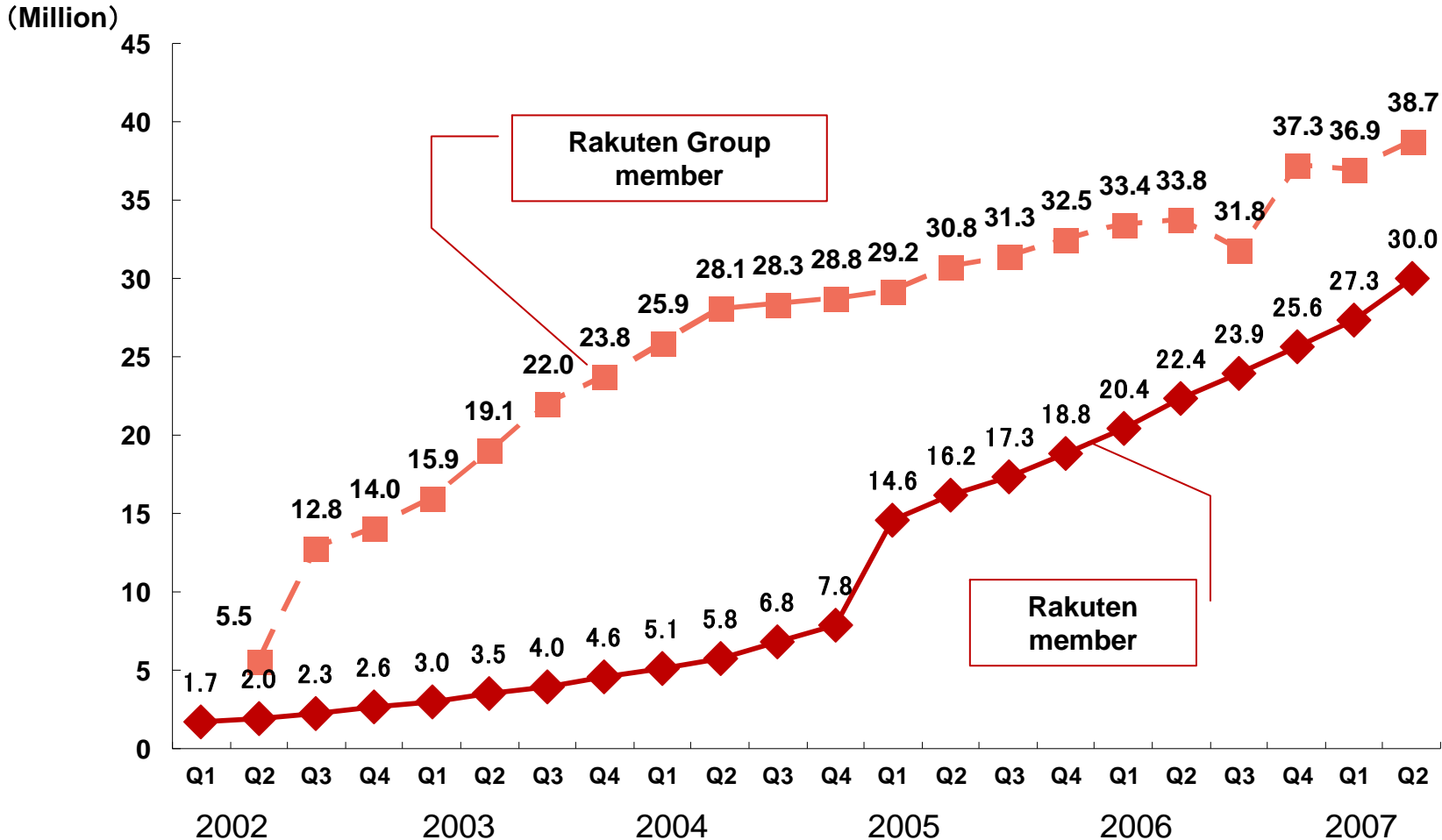
- Steady growth in GMS of Ichiba and Books up 29.6% (YoY)
- Number of unique purchasers exceeds 5 million/quarter

- Boosted profit margin while maintaining a high growth rate
- Revenues +20.8% (YoY), Operating Profit +43.9%(YoY)



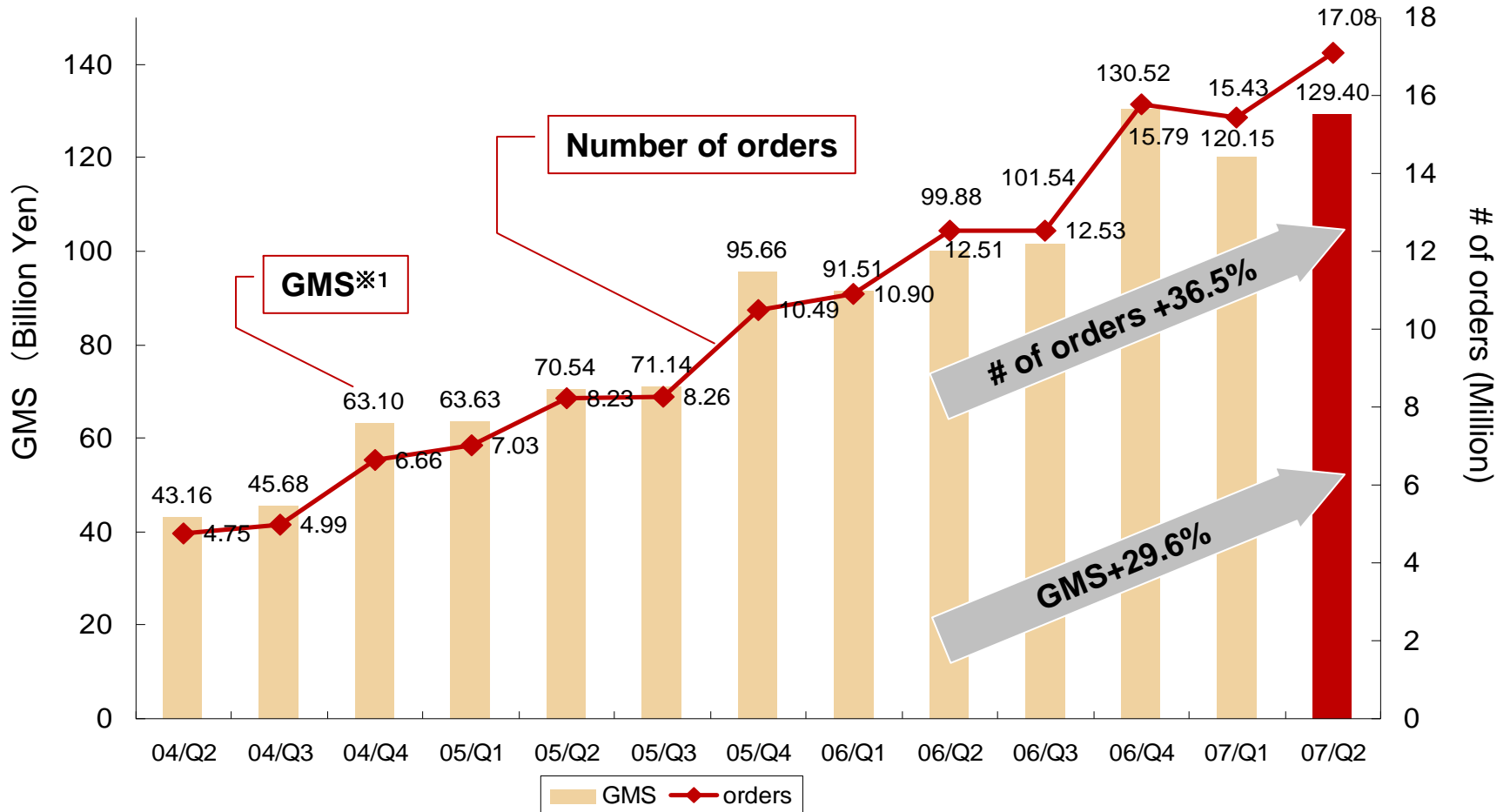
• Charge on below 1 million sales per month to Standard merchants started from January 2006

■ Rakuten members increasing continually, surpassed 30 million 29<sup>th</sup> June



- Rakuten Member : members who have integrated IDs (e.g Rakuten Ichiba, Rakuten Travel, Infoseek, Rakuten greeting, etc
- Rakuten Group members : Rakuten members and members who have either un-integrated IDs with Rakuten securities, Rakuten KC, Rakuten Credit and etc, or un-integrated IDs for former-My trip.net service members, former-Y-not service members.

## ■ Gross Merchandise Sales of Rakuten Ichiba and Rakuten Book +29.6%(YoY)



※1 GMS =Mall(Fixed-price, Group Buy), Mobile (Fixed-price, Group Buy)and Rakuten Books

# Rakuten Ichiba Buyer Metrics

(including mobile commerce, based on e-mail address)



Unique Buyers surpassed 5 million, maintain growth in number of transactions (+36.9% YoY)

	2005/Q4	2006/Q1	2006/2Q	2006/Q3	2006/Q4	2007/Q1	2007/Q2
<b>Unique Buyers ('000)</b>	3,560	3,680	3,970	4,070	4,710	4,730	5,140
<b># of Transactions ('000)</b>	10,060	10,260	11,790	11,650	14,680	14,410	16,140
<b>Average # of Transactions per Buyer</b>	2.83	2.79	2.97	2.86	3.11	3.05	3.14
<b>Quarterly GMS Per Buyer</b>	¥26,512	¥24,479	¥24,650	¥24,249	¥26,942	¥24,649	¥24,527

\* Based on E-mail address

\* Fixed-Price and Group Buy Purchase made at Rakuten Ichiba and mobile

**3** -2 **KC Business**



## ■ Develop a structure for low-cost operations



- Further reductions in general expenses due to more detailed cost control
- Reduction in expenses associated with doubtful accounts due to improvements in receivables management and collection
- Promoted streamlining at screening and collection service center by taking steps to decrease wasteful expenses

## ■ Develop Rakuten Card's earnings base



- Put infrastructure in place to support early card utilization, revolving credit for shopping, and the maintenance of high utilization rates
- Generated new revenue source (Rakuten Ichiba acquiring fees)

## Income Statement

(Billion Yen; amounts less than 1 billion yen have been rounded down)

	2006 (Apr-Jun) Q2	2007 (Jan-Mar) Q1	2007 (Apr-Jun) Q2
<b>Revenues</b>	<b>19.0</b>	<b>14.7</b>	<b>15.2</b>
<b>Operating Expense</b>	<b>19.5</b>	<b>15.3</b>	<b>15.1</b>
SG & A	17.3	13.8	13.6
Interest Expense	2.1	1.4	1.4
<b>Operating Profit (Loss)</b>	<b>0.4</b>	<b>-0.6</b>	<b>0.04</b>
Non-Operating Profit	0.0	0.0	0.04
<b>Ordinary Profit (Loss)</b>	<b>0.4</b>	<b>-0.6</b>	<b>0.09</b>
Extraordinary Loss	4.4	-1.3	0.05
<b>Earnings (Losses) Before Tax</b>	<b>4.8</b>	<b>-2.0</b>	<b>0.1</b>
Provision for income taxes	1.8	0.8	-0.3
<b>Net Income (Loss)</b>	<b>0.3</b>	<b>-2.8</b>	<b>0.4</b>

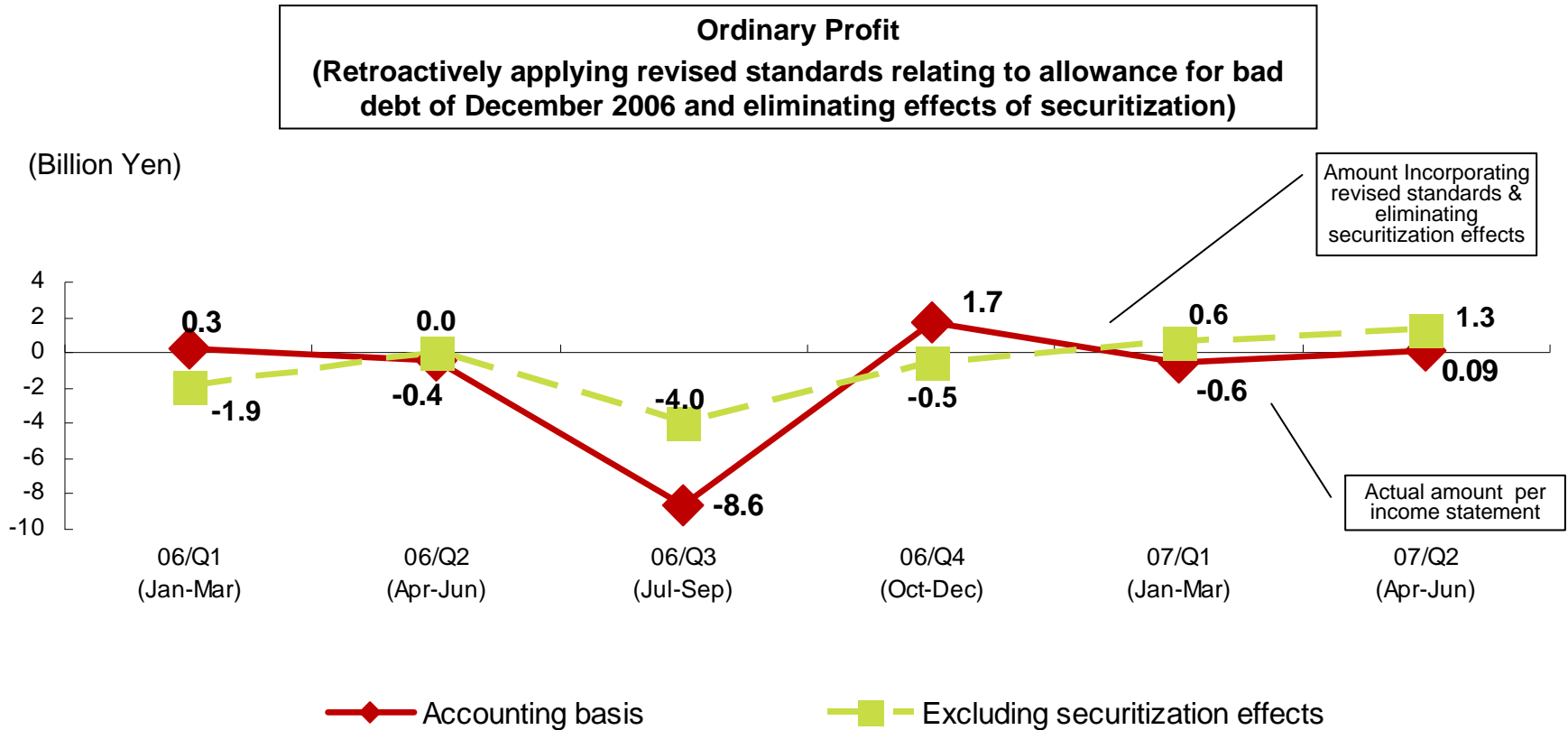
### Effect of Securitizing Loan Receivables

New securitization	2.3	0.2	-
Existing securitization	-1.7	-1.4	-1.2
Effect of securitization	0.6	-1.2	-1.2

### Overview

- Increased operating profit, reflecting new earnings streams (acquiring and settlement agent fees for card shopping and Rakuten Ichiba) despite a slight decline in card cashing and card loans
- Decreased operating expenses (QoQ), as further reductions in expenses associated with personnel and doubtful accounts offset an increase of ¥0.8 billion related to interest repayment
- Operating profit  
Turned profitable
- Securitizing Loan receivables  
The existing write-off portion (¥1.2 billion) will negatively impact on OP performance

- Excluding securitization, actual ordinary profit of ¥1.3 billion. On an accounting basis, steady recovery on track



## Outstanding loans and allowances by category of debtor

(Billion Yen)

Debtor category	Mar. 31, 2007	Jun. 30, 2007
Bankrupt	0.1	0
Bankruptcy likely	21.5	24.5
Bankruptcy possible	11.6	12.8
Caution required	8.1	9.1
No credit risk identified	316.5	306.4



Allowance Ratio



Allowance for doubtful account	31.3	32.1
Doubtful account allowance ratio <sup>1</sup>	8.58%	8.94%
Doubtful account write-off ratio <sup>2</sup>	0.82%	0.69%

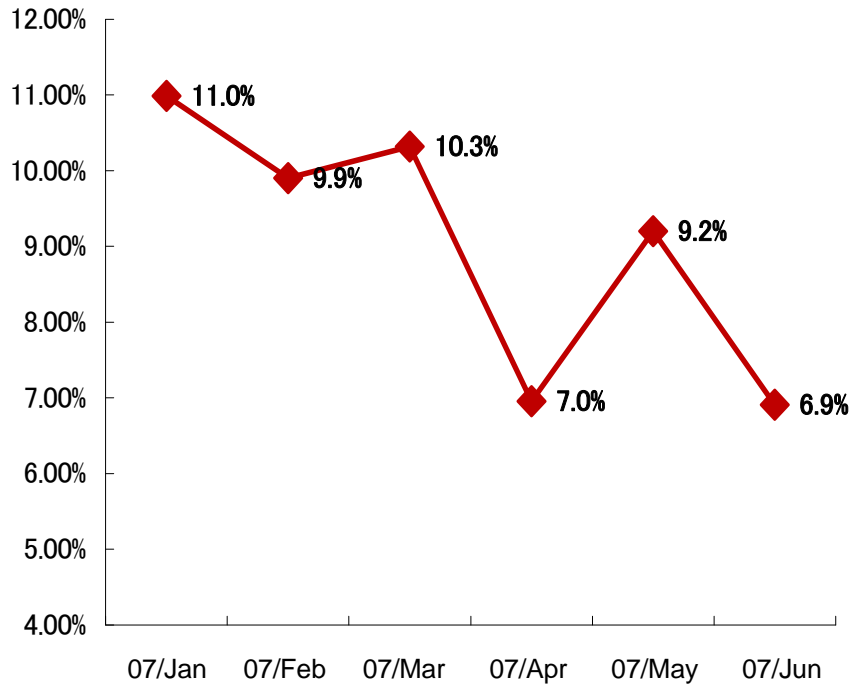
Allowance estimated according to level of risk for specific debtor category

1. Doubtful account allowance ratio = Allowance for doubtful account / Operating receivables

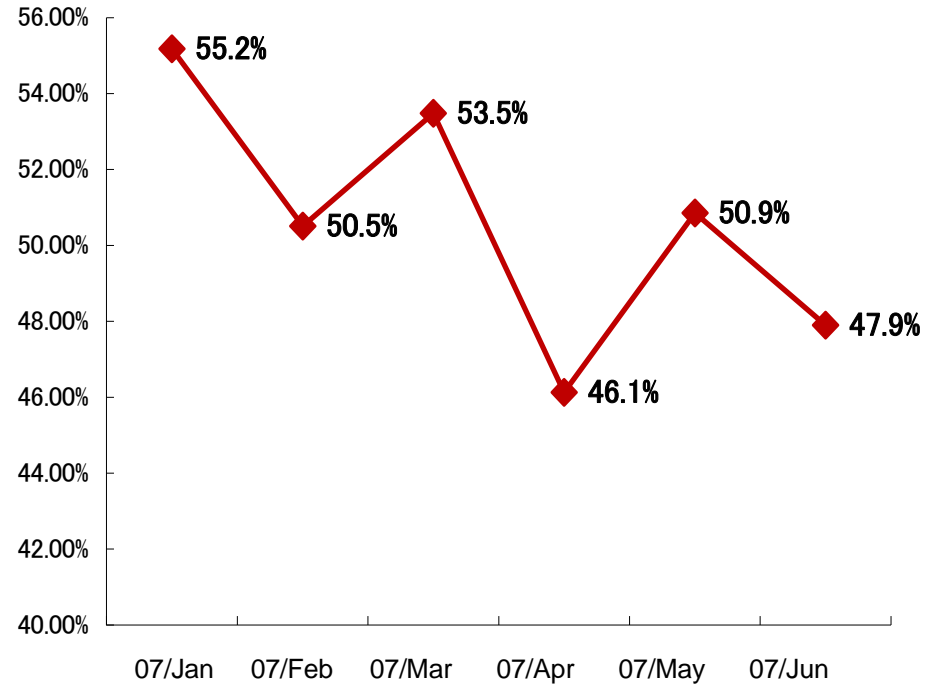
2. Doubtful account write-off ratio = Doubtful account written off for the quarter / Operating receivables

■ Amount of uncollectible loans carried over has stabilized due to continued measures to manage and collect receivables

Ratio of uncollectible loan carried over more than one month to uncollected less than one month



Ratio of uncollectible loan carried over more than two months to uncollected less than two months

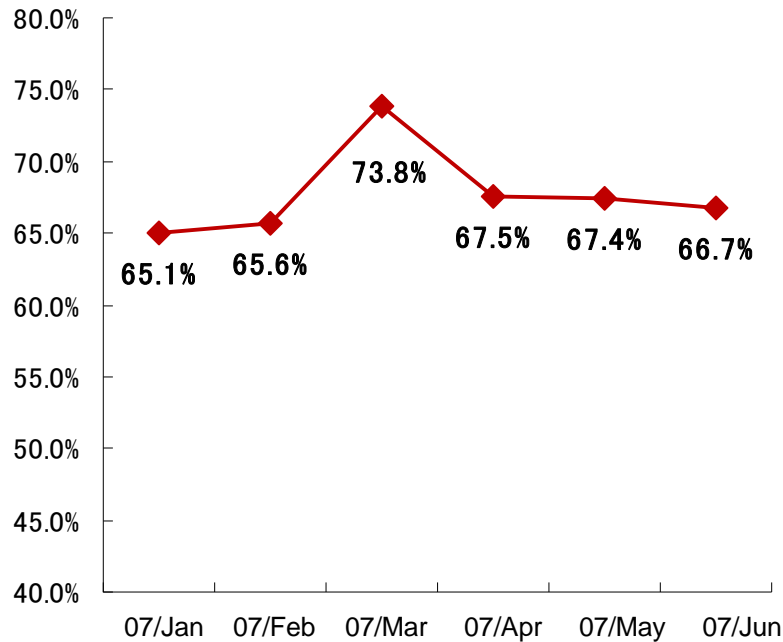


Notes:

1. Ratio of uncollectible payments carried forward: Balances carried forward to next billing period/Initial balance
2. Ratio of carried over: [amount of carried over uncollected loan in the end of month] divide [the uncollectible loan at beginning of the month]

- Benefits from improved collection influence uncollectible loans from the following month onward, resulting in staggered improvement in receivables

**Ratio of uncollectible loan carried over more than three months to uncollected less than three months**



**Amount Carried Uncollectible Loans**

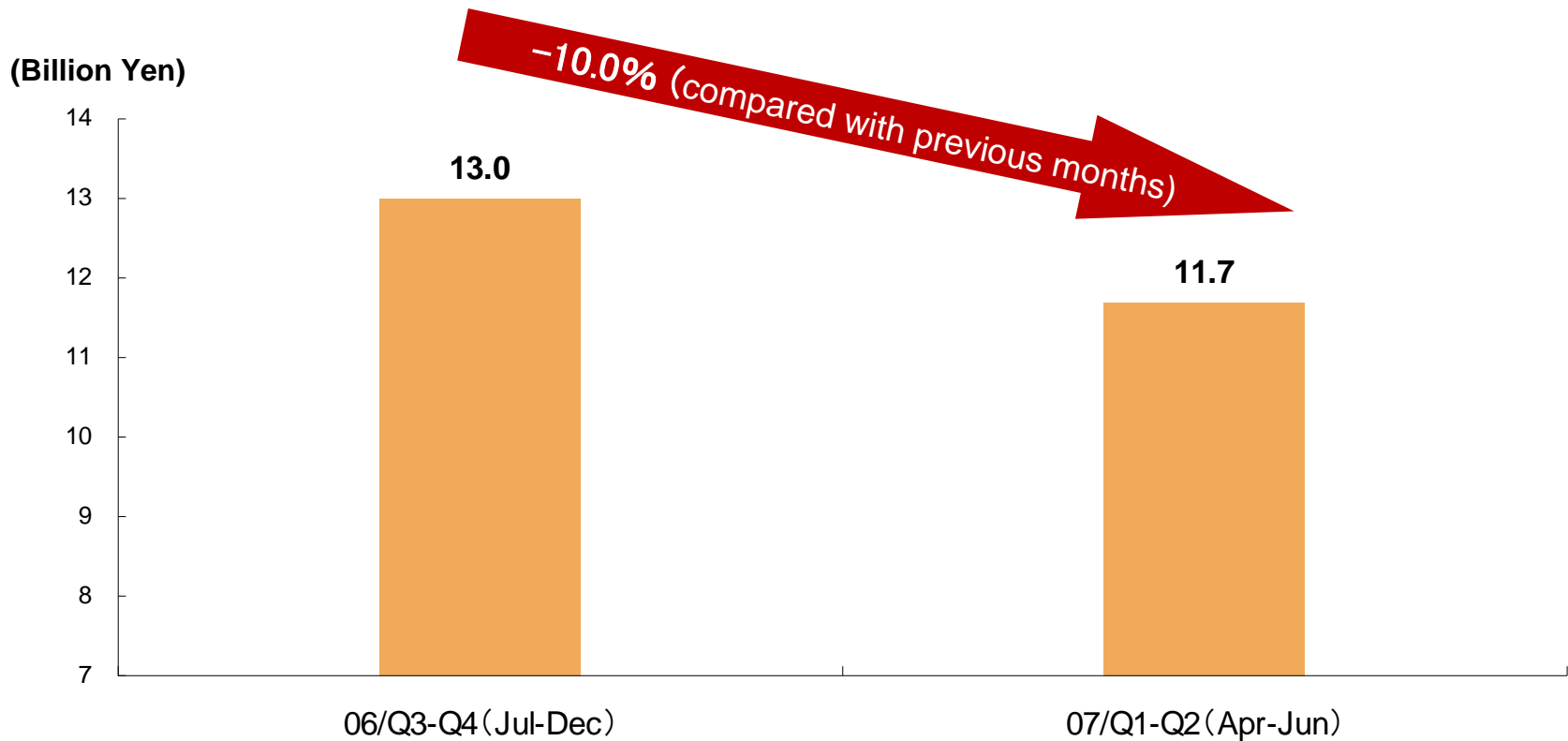
(Millions Yen)

The length of uncollected	Jan.	Feb.	Mar.	Apr.	May	Jun.
From less than one month to more than one month	7,415	7,216	7,164	4,865	5,653	4,765
From less than two months to more than two months	4,313	4,704	5,148	4,497	3,867	3,882
From less than three months to more than three months	3,834	3,743	4,400	4,252	3,959	3,468

\*Carryover rate = Balance carried over for the coming month/initial balance

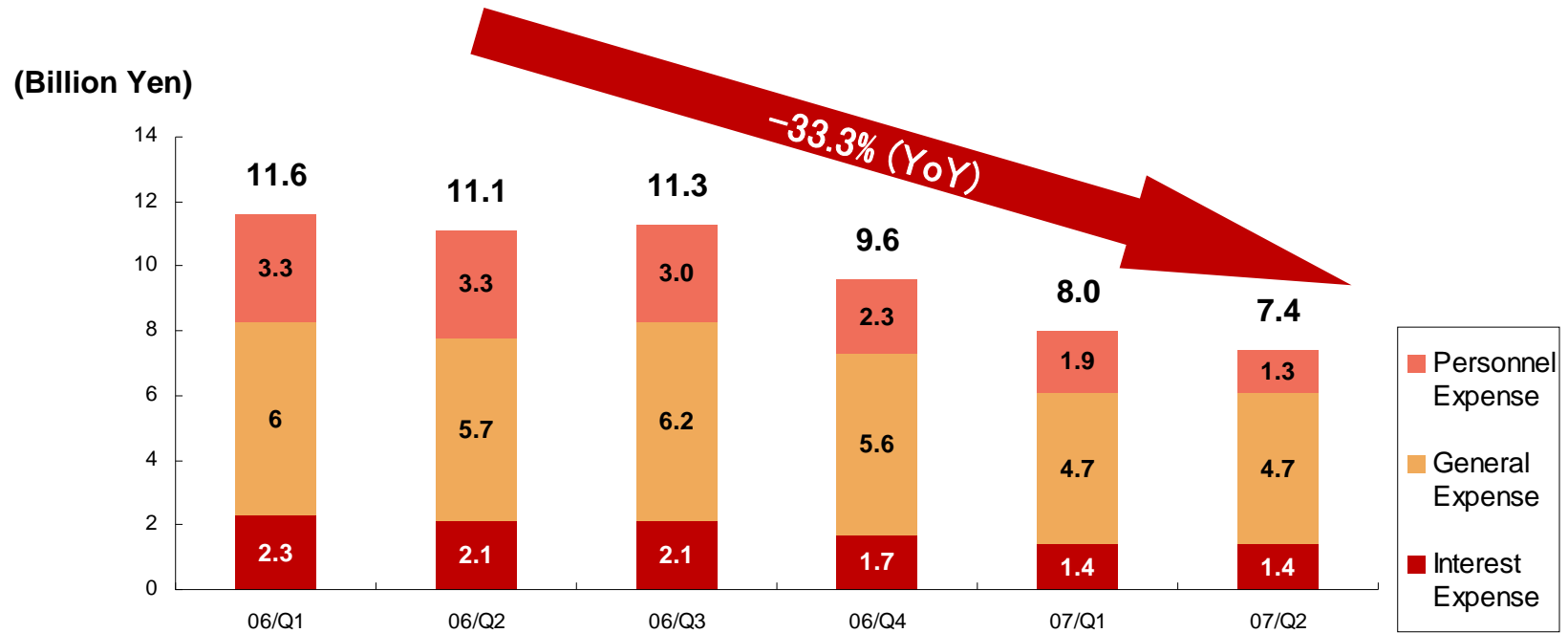
\*Current month's receivables: Balance of contracts for which requested payment from accounts could not be withdrawn. If unchanged after one month, this balance becomes Receivables 1.

- Additional improvements will be expected in expenses associated with doubtful accounts projected resulting from stronger management and collection measures



\*Excludes expenses associated with doubtful accounts in the Credit Business which transferred to Orico in Nov.06

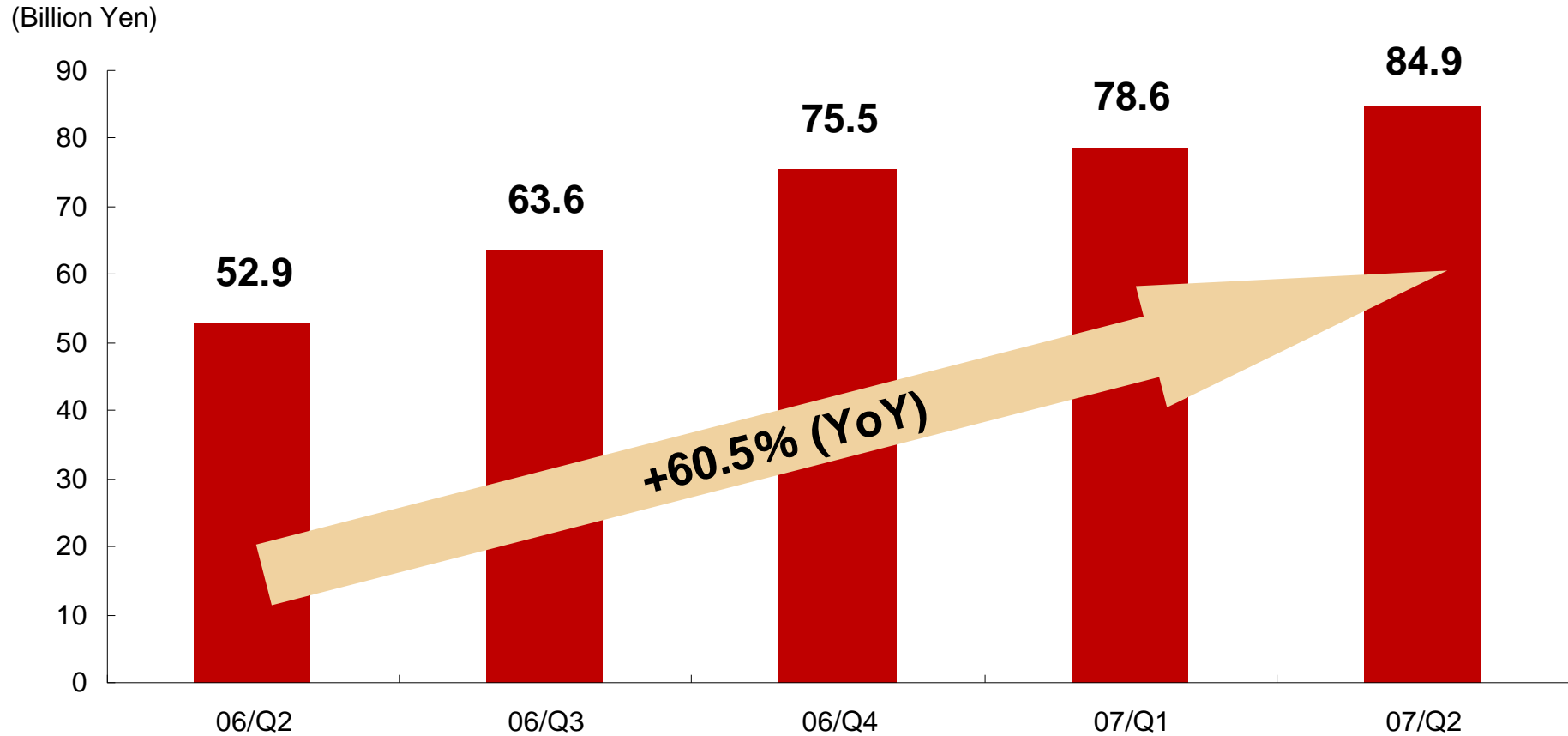
- Personnel expenses lower due to workforce downsizing; financing costs lower due to efforts to reduce liabilities with interest
- Further reduction of general expenses will be expected onward



Number of employees	2,235	2,251	1,986	1,368	1,233	957
Liabilities with Interest (Billion Yen)	361.7	374.6	398.9	278.1	275.3	259.6



■ Rakuten Card transaction volume is engine for total credit card transaction volume

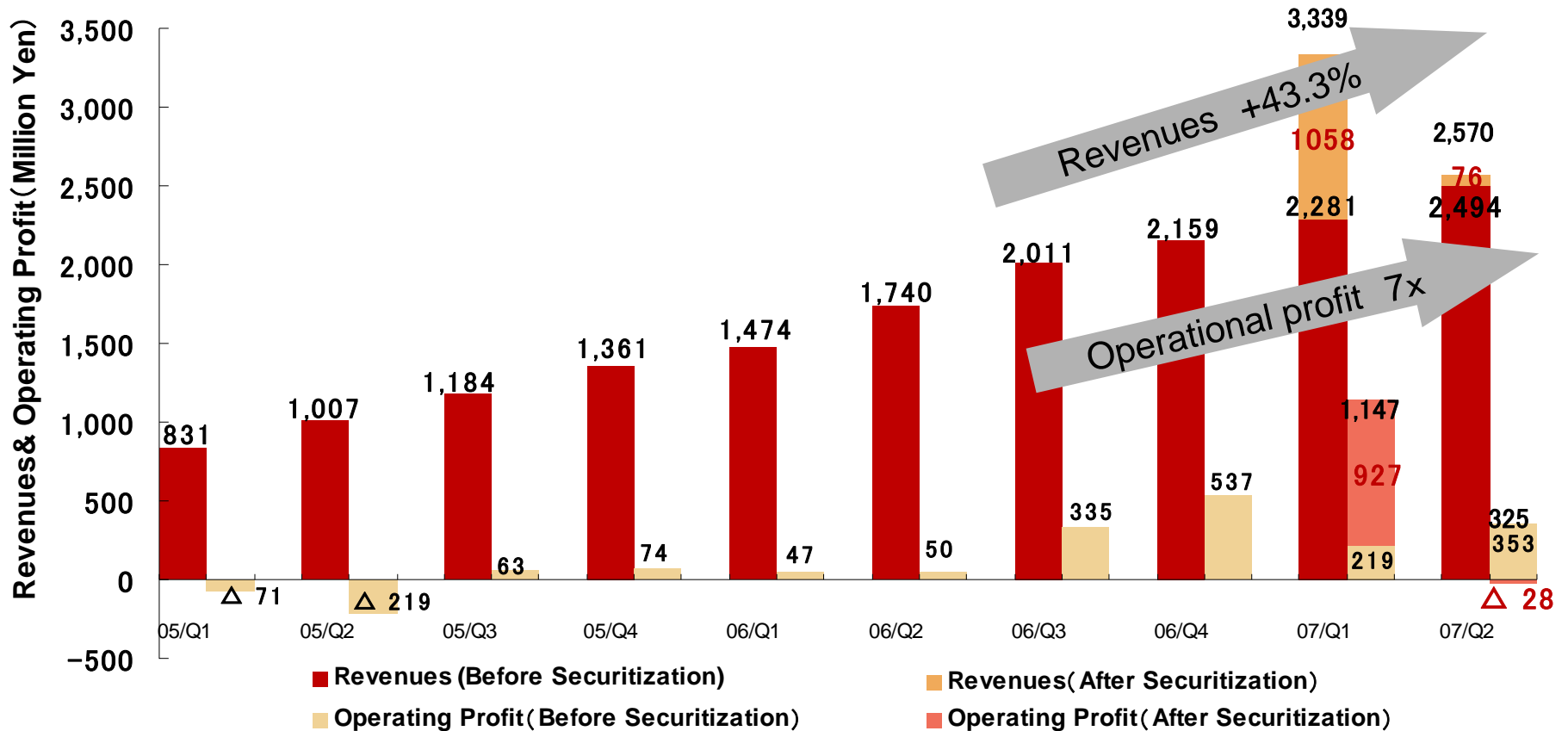


## **3** -3 Personal Finance Business (Rakuten Credit)

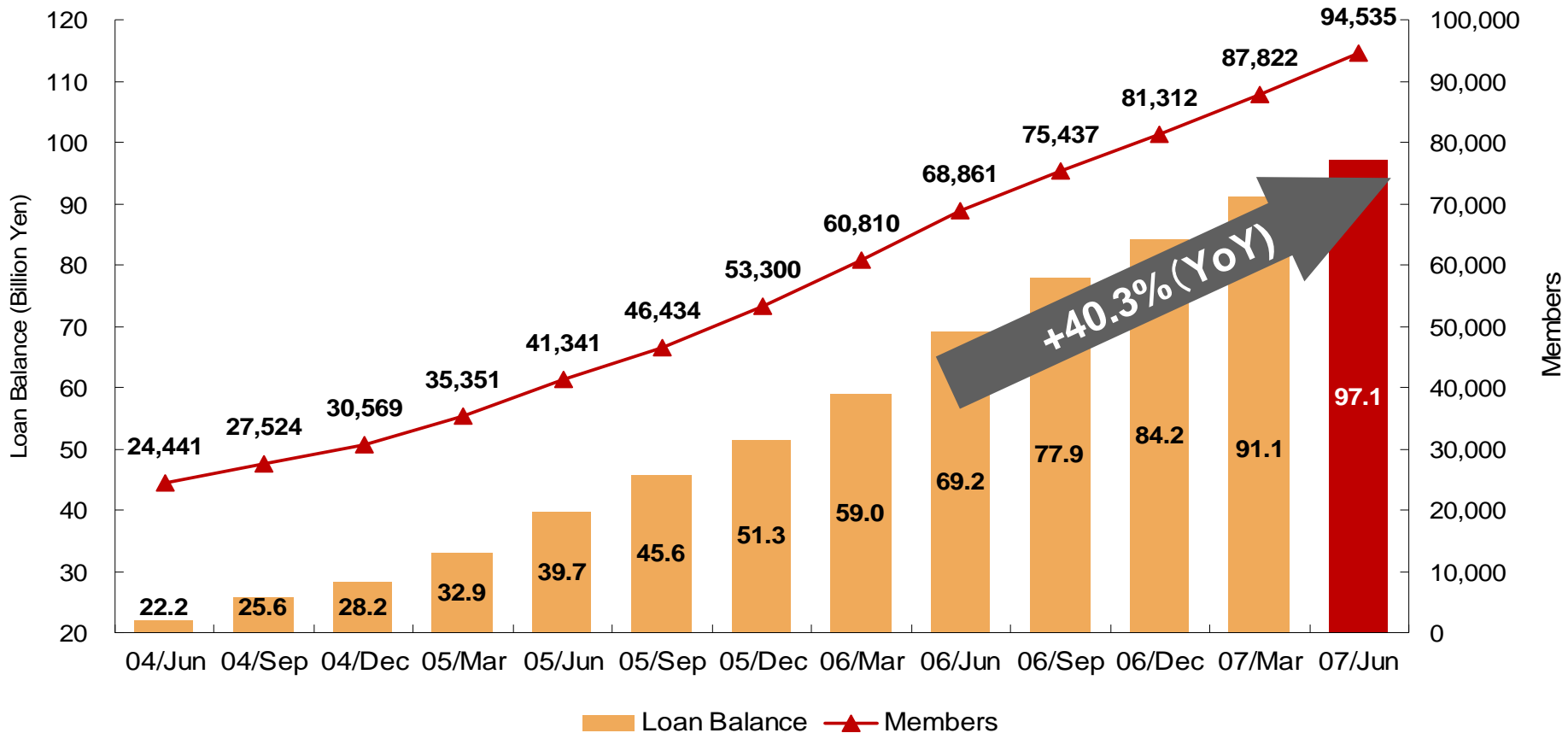
# Rakuten Credit: Revenues and Operating Profit Rakuten

- Revenue Growth +47.7% YoY, Operating Profit 6.5x YoY
- Excluding Securitization Revenue Growth +43.3% YoY, Operating Profit 7x YoY

(Operating Profit 07/1Q included in 1,134 million of Securitizing Loan Receivable Profit.  
Operation profit included in 899 million relating to Securitizing Loan Receivables)



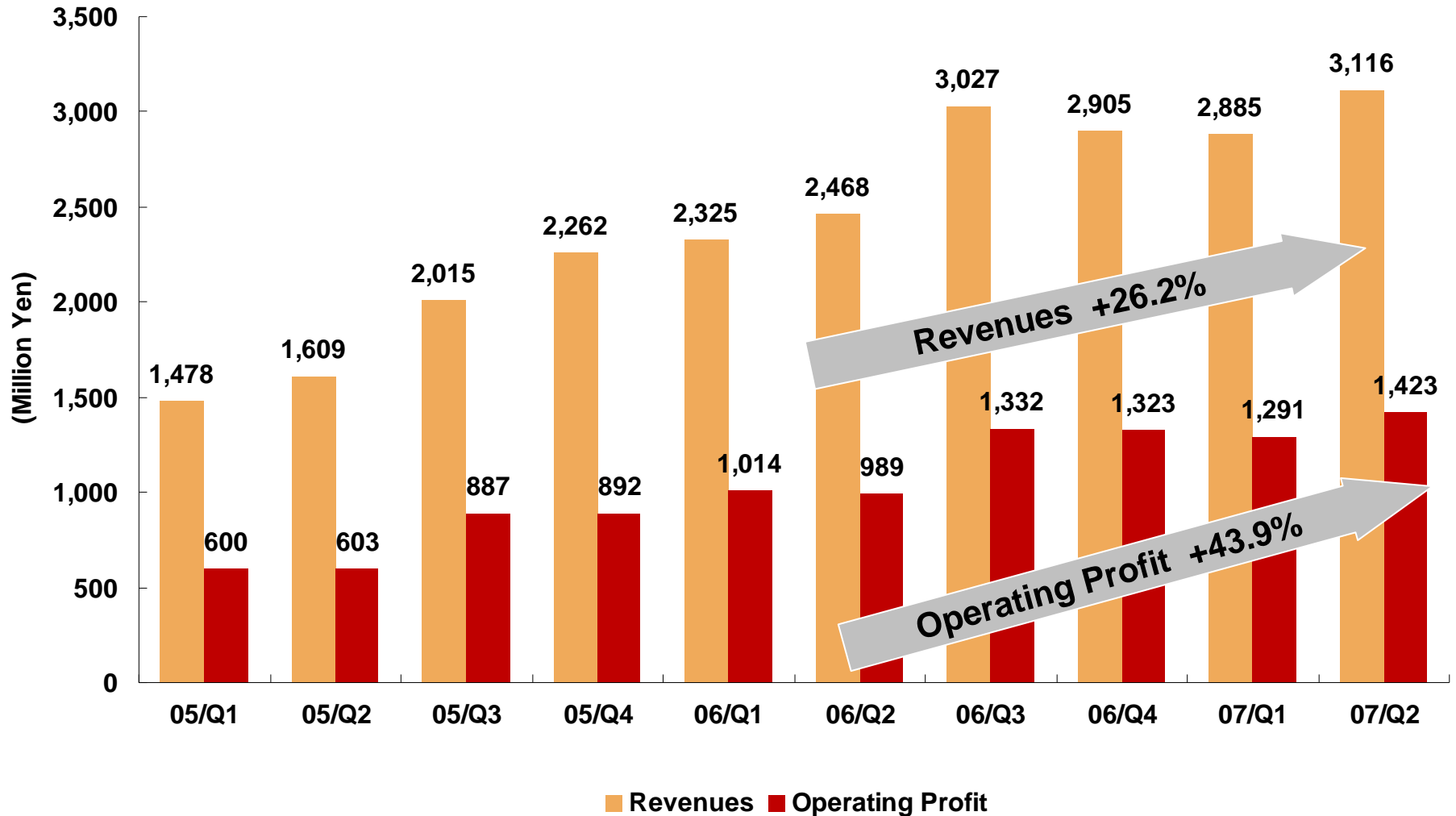
- Loans Receivable Balance Growth +40.3% (YoY), Maintaining Rapid Growth (including in 25.63 billion of securitizing Loan Receivables in Jan- Jun/07)
- Expect to achieve ¥100 billion of Loan Balance and 100 thousand members



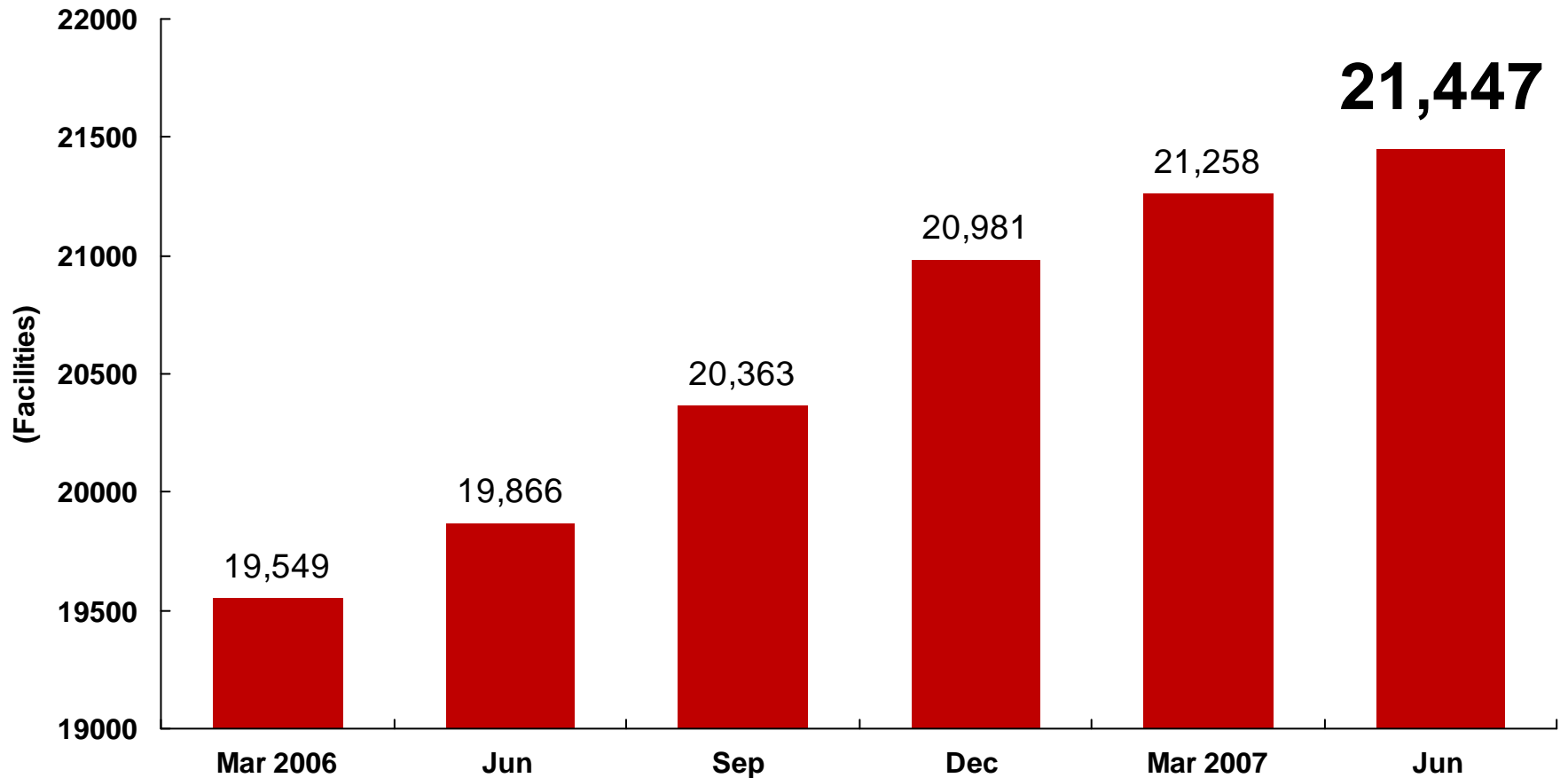
## **3** -4 Travel Business

# Travel Segment Revenues & Operating Profit Rakuten

Revenues +26.2% (YoY), Operating Profit +43.9% (YoY), Maintained High Growth

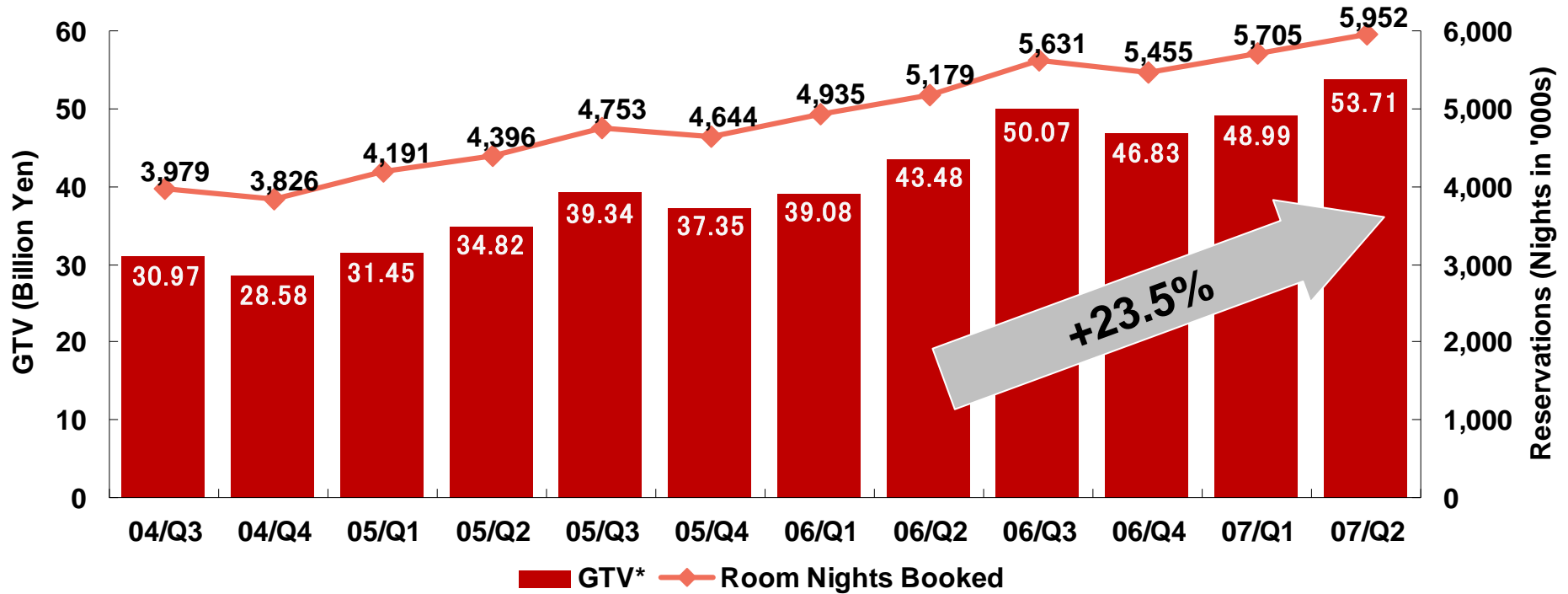


Number of Contracted Domestic Hotels and Facilities Achieved 21,000



# Travel Business Reservations

- New contracts promoted gross booking value, up +23.5% YoY
- High steady position in travel booking site



\* Gross Transaction Value at time of reservation (before cancellation, tax calculated)

\* Travel Business: MyTrip.net and Rakuten Travel combined

\* From 05/1Q, overseas hotels gross bookings, overseas air travel gross bookings, and overseas hotel reservations included

\* From 05/4Q, Rakuten Bus Services Inc. included

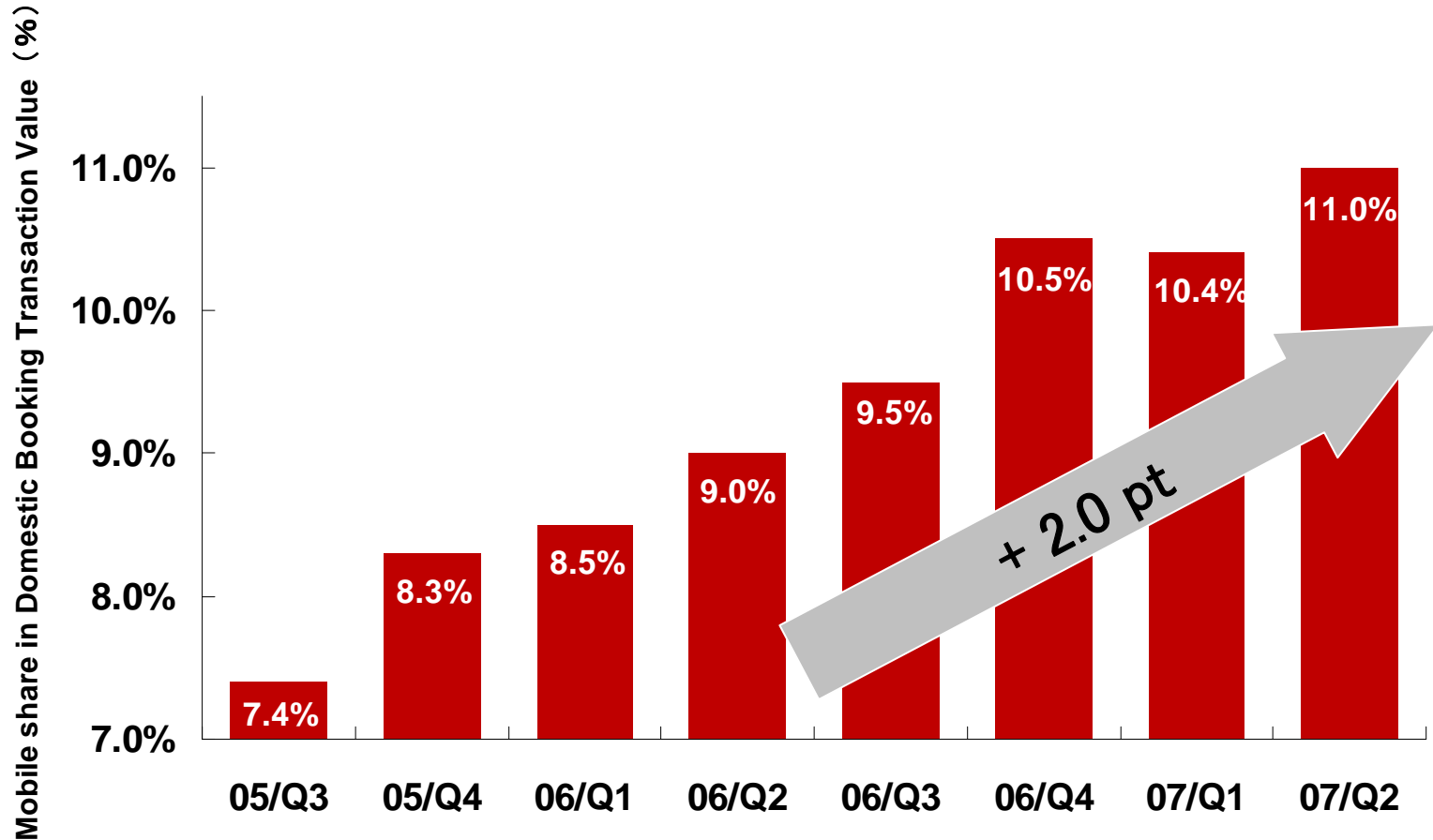
\* From 06/1Q, international dynamic packaging included

\* From 06/4Q, domestic dynamic packaging included



# Changes in Ratio of Mobile Users

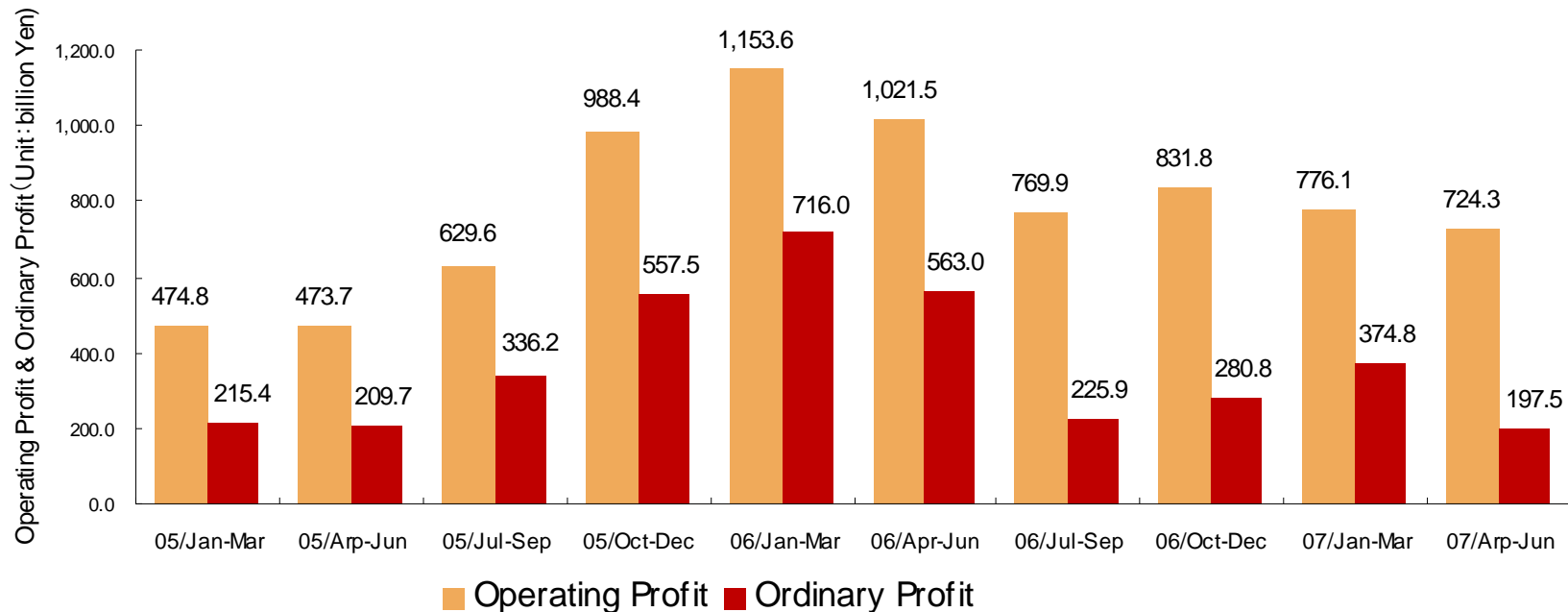
- Account for 11.0% of mobile ratio in Domestic GTV
- Essential for growth GTV



## -5 Securities Business

# Rakuten Securities Holdings: Operating Profit & Ordinary Profit

- Declines of 29.1% (YoY) and 6.7% (QoQ) in operating profit due to commission rate revisions enacted last year (from June) and a weaker stock market
- Decline of 64.9% in ordinary profit (YoY) due to posting of a large provision to allowance for doubtful accounts and drop in operating profit



## Financial Overview for Apr-Jun 2007 (QoQ)

(Million Yen)

	Rakuten Securities		E*Trade		Matsui		kabu.com		MBH	
Revenues	7,243	-6.7%	15,440	+2.2%	11,235	-6.9%	5,276	-3.6%	8,029	-7.3%
(Net Interest)	2,027	+15.6%	4,077	+14.4%	3,688	+10.5%	1,452	+14.2%	1,321	+10.6%
Net Revenues	6,520	-7.7%	14,115	+1.8%	10,316	-8.2%	4,910	-4.9%	6,871	-13.9%
SG&A	4,998	-10.5%	8,002	+9.1%	5,034	+11.4%	2,284	+0.7%	3,554	-6.0%
Ordinary Profit	1,975	-47.3%	6,113	-3.9%	5,359	-20.5%	2,686	-6.3%	3,354	-22.0%
Net Profit	304	-84.9%	3,221	-11.7%	3,705	-7.4%	1,532	+8.2%	1,902	-21.0%

\* Rakuten Securities posts 833 million yen of extraordinary loss for review of lease contracts regarding system

\* Source: Company financial reports on a consolidated basis (excluding kabu.com)

## Financial Overview for Apr-Jun 2007 (YoY)

(Million Yen)

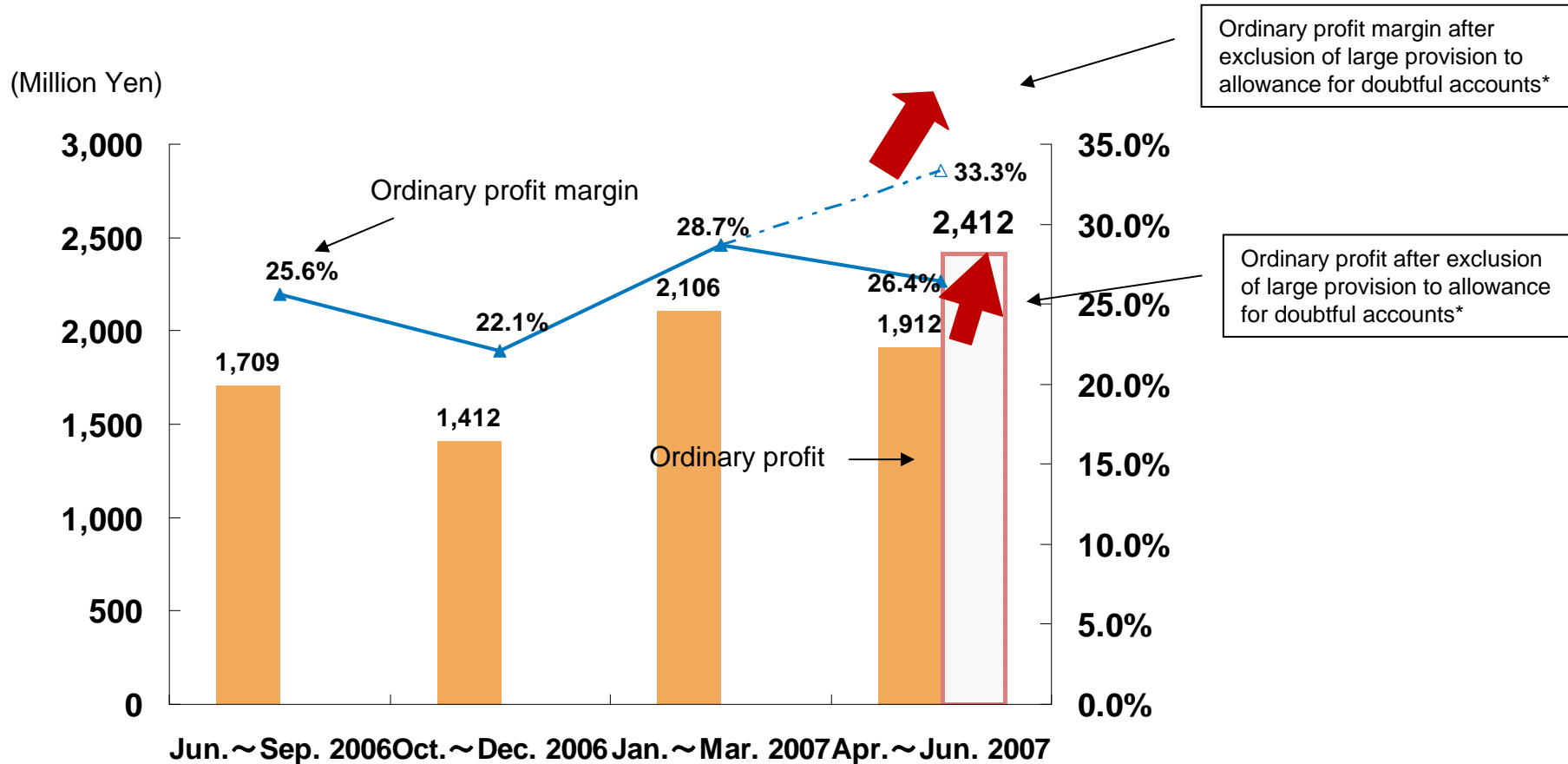
	Rakuten Securities		E*Trade		Matsui		kabu.com		MBH	
Revenues	7,243	-29.1%	15,440	-1.6%	11,235	-4.9%	5,276	-10.4%	8,029	-14.0%
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Net Profit	304	-89.4%	3,221	-30.0%	3,705	-2.6%	1,532	-24.1%	1,902	-35.4%

\* Rakuten Securities posts 833 million yen of extraordinary loss for review of lease contracts regarding system

\* Source: Company financial reports on a consolidated basis (excluding kabu.com)

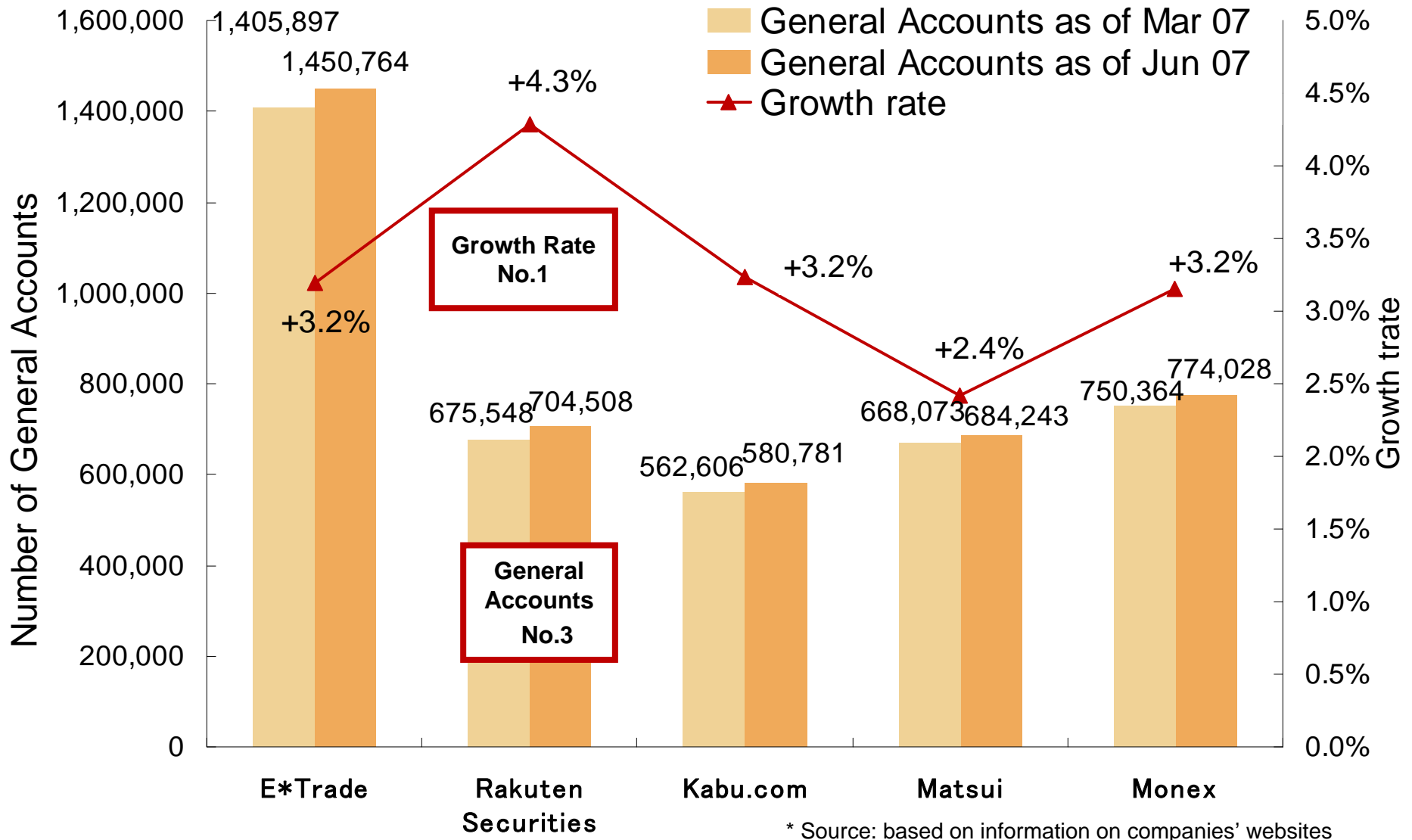
# Rakuten Securities (Non-consolidated) Business Results

Signs of improvement in profit and profit margin in real terms for the period.  
Excluding a large provision to allowance for doubtful accounts, earnings grew for the period.

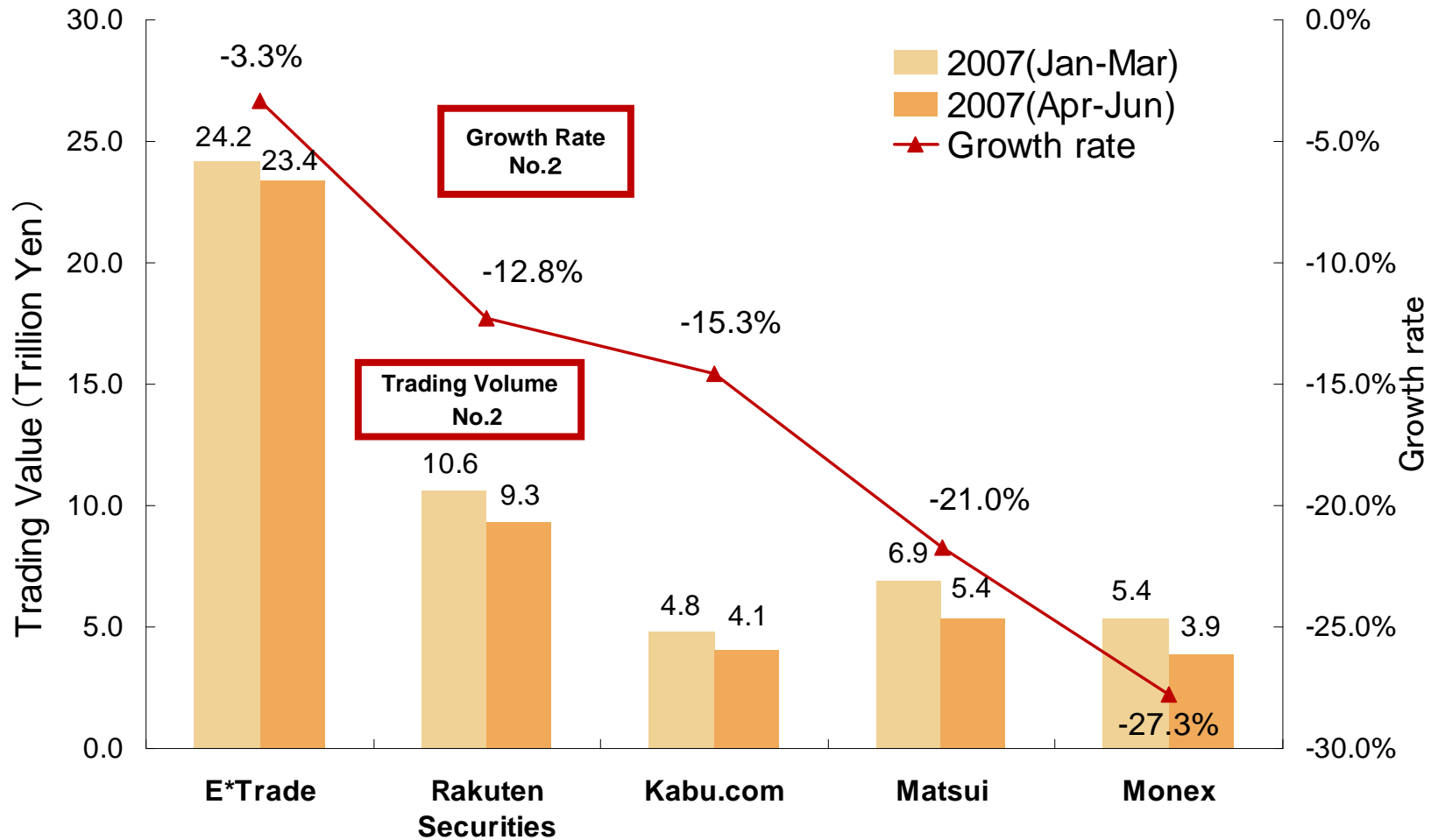


\*Provision to allowance for doubtful accounts for advances to clients involved in credit transactions of OHT Inc.

# Rakuten Securities Number of General Accounts



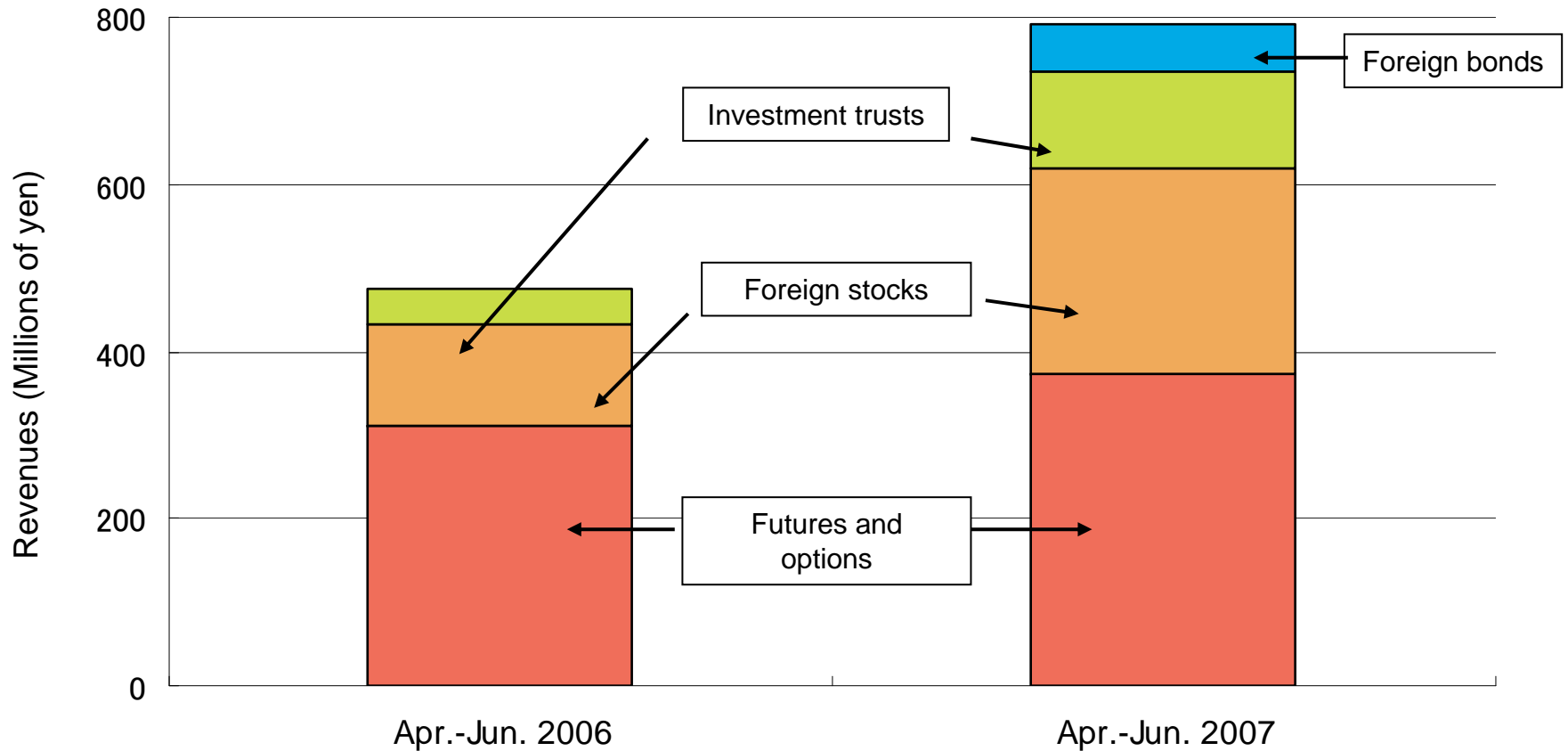
\* Source: based on information on companies' websites



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- Strong growth in revenue from foreign stocks, bonds and investment trusts.
- Efforts to diversify revenue sources are progressing well.

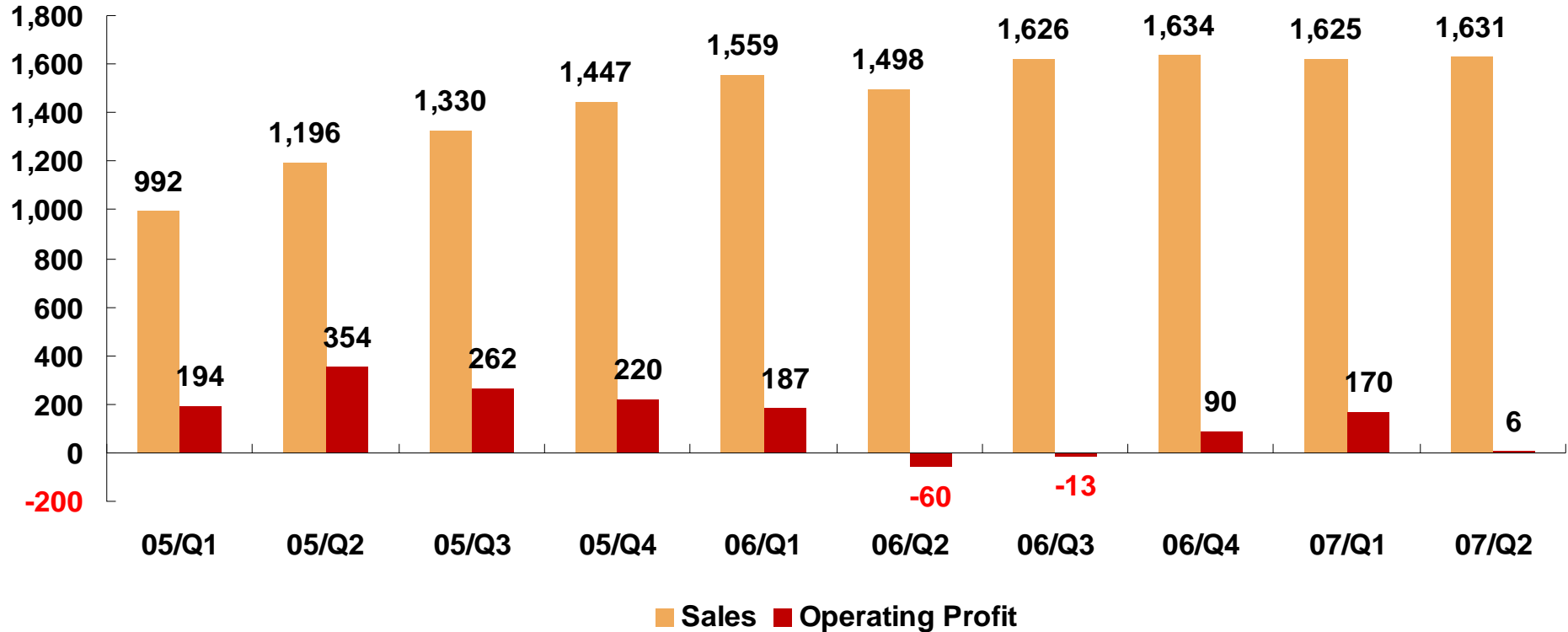


## **3** -6 Infoseek Business

# Infoseek Business Unit, Advertising Business Unit, etc.: Sales and Operating Profit



(Million Yen)



\*Difference with Portal & Media Business in segment information to consolidated financial statements is accounted for by Target, Inc., College Students' Portal Community, Inc., Rakuten Research, Inc. and the blog business. Internet TV and publishing businesses of Rakuten, Inc

# **3** -7 Professional Sports Business

# 2007 First Half Results of Professional Sports Business

Greater-than-expected sales of goods, reflecting robust performance from the corporate sales department and steady growth in spectators

(Million Yen)

Non-consolidated (Rakuten Baseball, Inc.)	06/ 1st Half	07/ 1st Half	YoY Change (%)
Sales	3,160	3,501	+11%
Operating expenses	3,966	4,188	+6%
Operating loss	-806	-687	+15%

Consolidated (Including Rakuten Sports Properties, Inc.)	06/ 1st Half	07/ 1st Half	YoY Change (%)
Sales	3,496	3,991	+14%
Operating expenses	4,291	4,625	+8%
Operating loss	-795	-634	+20%

## **4** 2007 First Half: Consolidated Operating Results

- Strong Growth in E-Commerce and Travel businesses
- Securities Businesses Affected by Slowing Japanese Market

(Billion Yen)

	Revenue	YoY	Operating Profit	YoY	OP margin	EBITDA	YoY	EBITDA margin
E-Commerce	35.64	<b>+34.5%</b>	9.76	<b>+22.7%</b>	27.4%	12.97	<b>+24.4%</b>	36.4%
Credit·Payment	35.99	<b>-17.1%</b>	-0.33	-	-0.9%	2.381	-	6.6%
Portal Media	7.26	<b>+12.8%</b>	0.16	<b>-42.6%</b>	2.2%	0.49	<b>+8.5%</b>	6.8%
Travel	6.00	<b>+25.2%</b>	2.71	<b>+35.5%</b>	45.2%	3.41	<b>+34.0%</b>	56.8%
Securities	15.27	<b>-35.9%</b>	2.88	<b>-73.4%</b>	18.9%	4.74	<b>-62.0%</b>	31.0%
Professional Sports	3.84	<b>+10.0%</b>	-0.61	-	-16.0%	-0.19	-	-5.0%
Corporate and Internal elimination	-5.09	-	-1.11	-	-	-0.90	-	-
<b>Consolidated</b>	<b>98.93</b>	<b>-6.1%</b>	<b>13.46</b>	<b>-30.2%</b>	<b>13.6%</b>	<b>22.90</b>	<b>-1.6%</b>	<b>23.1%</b>

 Appendix



# (Adjustment of Common Costs Allocation) 2007 Q2 Consolidated Financial Overview (QoQ)

■ Equitation of differences of common costs allocation by segment between financial accounting and managerial accounting

■ Revised a logic of common costs allocation by segment from prospect basis(1Q) to actual basis (interim)

(Billion Yen)

	2007/Q1 (after adjustment of common costs allocation)			2007/Q2 (after adjustment of common costs allocation)							
	Revenue	OP	EBITDA	Revenue	QoQ	OP	QoQ	OP margin	EBITDA	QoQ	EBITDA Margin
E-Commerce	17.31	4.73	6.18	18.32	+5.8%	5.02	+6.1%	27.4%	6.78	+9.7%	37.0%
Credit and Payment	18.05	-0.31	0.51	17.94	-0.6%	-0.01	-	-0.1%	1.87	+266.8%	10.4%
Portal and Media	3.66	0.26	0.41	3.60	-1.8%	-0.10	-	-2.8%	0.07	-81.3%	2.2%
Travel	2.88	1.33	1.67	3.11	+8.0%	1.38	+3.4%	44.3%	1.73	+3.2%	55.6%
Securities	7.92	1.38	2.91	7.35	-7.2%	1.50	+8.7%	20.5%	1.82	-37.6%	24.8%
Professional Sports	0.96	-0.89	-0.70	2.88	+199.2%	0.27	-	9.5%	0.51	-	17.8%
Corporate and Internal Elimination	-2.37	-0.34	-0.28	-2.72	-	0.77	-	-	-0.62	-	-
Consolidated	48.43	6.16	10.72	50.49	+4.3%	7.29	+18.3%	14.4%	12.17	+13.5%	24.1%

\* EBITDA=Ordinary profit + Interest expense + Depreciation and Amortization + Amortization of Consolidation Adjustment Account -Effect of securitizing loan receivables

# Breakdown of Amortization of Goodwill

(Million Yen)

	06/Q1	06/Q2	06/Q3	06/Q4	07/Q1	07/Q2	Companies
E-Commerce Business	528	527	527	527	527	527	Linkshare
Credit and Payment Business	168	168	168	234	234	234	Rakuten KC Group
Portal and Media Business	16	16	17	17	17	17	Rakuten Research
Travel Business	7	7	7	10	10	10	Rakuten Bus Service
Securities Business	1	1	1	56	56	76	Rakuten Securities Holdings Rakuten Realty Management Rakuten Strategic Partners
Professional Sports Business	-	-	-	-	-	-	
Consolidated	722	721	721	845	845	865	

# Capital Expenditures

(Billion Yen)

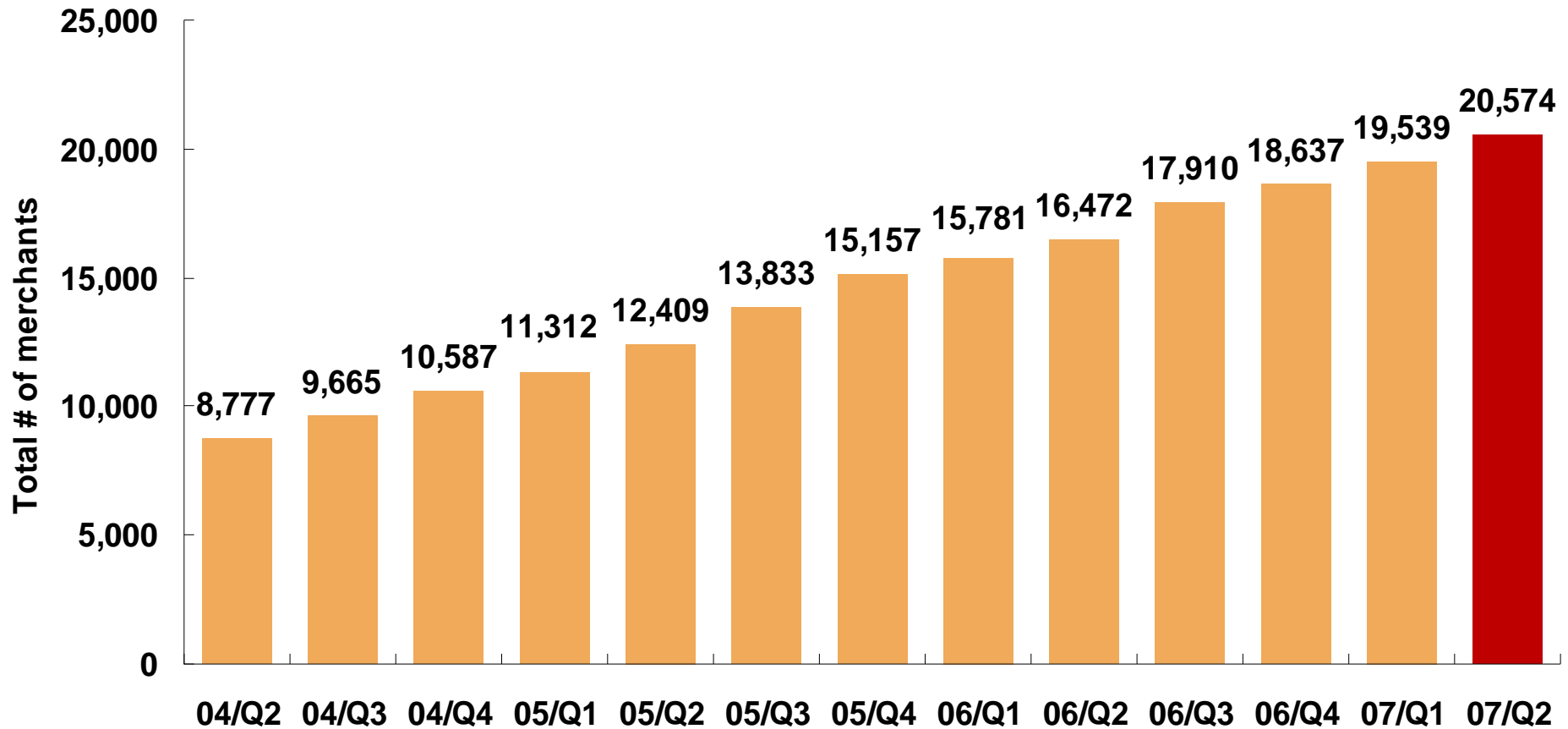
		2006				2007	
		Q1	Q2	Q3	Q4	Q1	Q2
Non-consolidated	Hardware	0.22	0.59	1.01	1.41	0.20	<b>0.56</b>
	Software	0.40	0.54	0.58	2.34	0.56	<b>1.04</b>
	<b>Total</b>	0.62	1.13	1.60	3.75	0.77	<b>1.60</b>
Consolidated	Hardware	0.97	0.69	1.51	1.95	0.63	<b>0.91</b>
	Software	0.94	1.08	0.93	3.32	1.98	<b>2.03</b>
	<b>Total</b>	1.92	1.78	2.45	5.28	2.61	<b>2.94</b>

\*Operating Base

\*Excluding Professional Sports and Funds

# Number of the Merchants

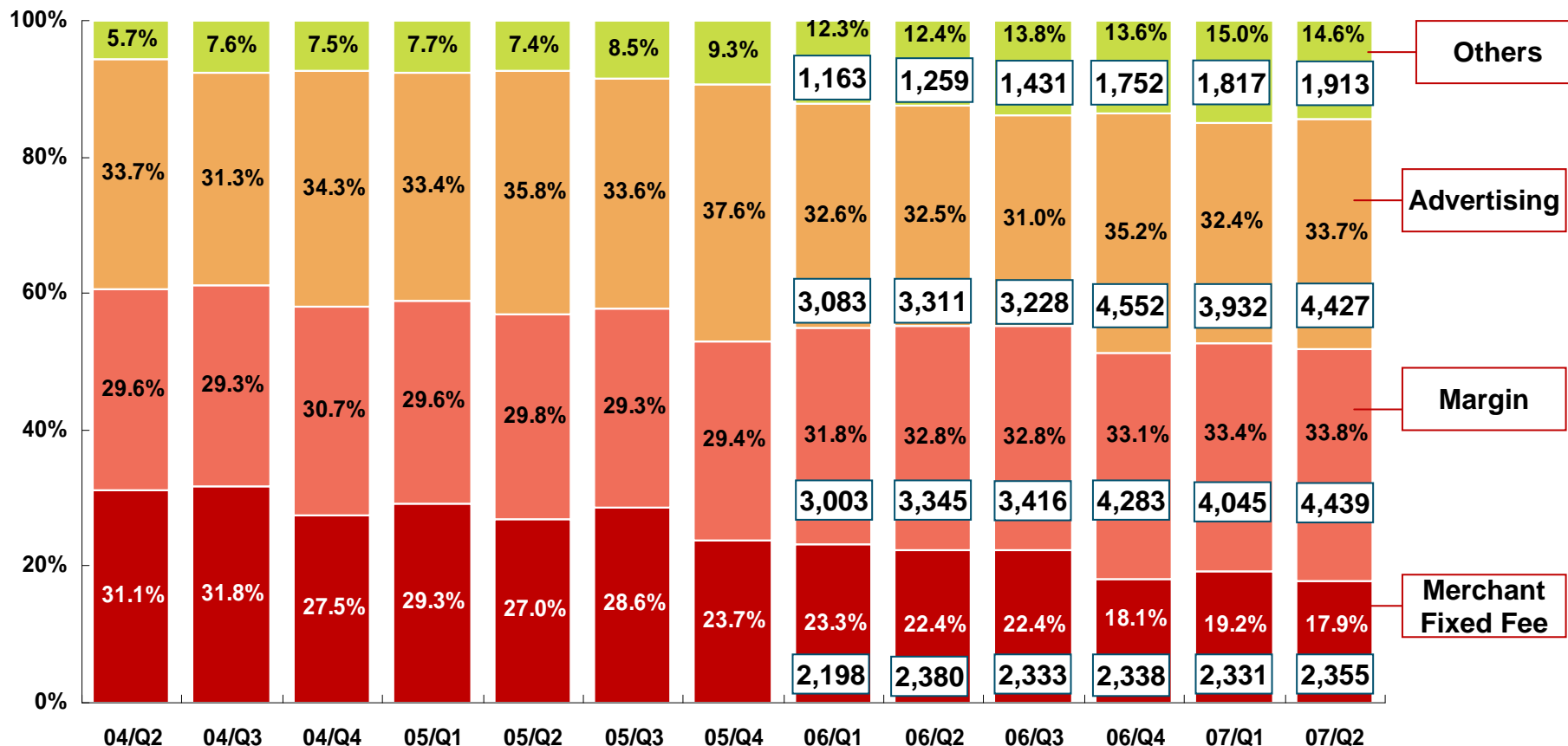
Total Number of the Merchants surpassed 20 thousand, +24.90% (YoY)



# Non-Consolidated Revenue Breakdown (Excluding Portal and Media Business Results)



Healthy increase in advertising revenue and margin revenue at Rakuten Ichiba



\* Others includes internal sales.

□ = Million Yen

## Balance Sheet (Jun 30, 2007)

(Billion Yen; Amounts Less Than ¥0.1 Billion Omitted)

<b>CURRENT ASSETS</b>	<b>291.3</b>	<b>CURRENT LIABILITIES</b>	<b>222.3</b>
Cash and cash equivalents	36.8	Accounts payable; guarantee contracts	4.7
Installment accounts receivable	149.4	Short-term borrowings	169.3
Accounts receivable, guarantee contracts	4.7	Other current liabilities	48.2
Beneficial interest in securitized assets	89.0	<b>FIXED LIABILITIES</b>	<b>96.3</b>
Other current assets	41.5	Long-term borrowing	90.2
Allowances for bad debt	-30.3	Allowance for interest repayment	5.3
		Other current fixed liabilities	0.6
		<b>TOTAL LIABILITIES</b>	<b>318.7</b>
<b>FIXED ASSETS</b>	<b>45.0</b>	<b>EQUITY</b>	<b>17.7</b>
Tangible fixed assets	15.7	Common stock	3.0
Land and buildings	14.6	Capital surplus	51.0
Other tangible fixed assets	1.0	Retained earnings	-20.3
Intangible fixed assets	2.9	Accumulated deficit	-16.0
Investment and other assets	28.2	<b>Valuation and translation adjustments</b>	<b>-0.1</b>
Allowances for bad debt	-1.8	<b>TOTAL NET ASSETS</b>	<b>17.6</b>
<b>TOTAL ASSETS</b>	<b>336.3</b>	<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>336.3</b>

\*Total securitized loan receivables: 176.9 billion yen

# Allowance for Interest Repayments and Allowance for Doubtful Accounts

- No major increases in allowances for doubtful account due to an improved receivables collection record
- Addition of ¥1.2 billion to “cash out” portion due to an increase from Q1 to Q2 in requests for repayment of overpaid interest; this step was in conjunction with stronger measures for collection of receivables

(Billion Yen)

Item	Comment	Mar. 31, 2007	Jun. 30, 2007
<b>Allowance for interest repayments</b>	‘Cash Out’ amount associated with request for repayment of overpaid interest	<b>4.1</b>	<b>5.3</b>
<b>Allowance for doubtful accounts</b>	Loan appropriation amount* associated with request for repayment of overpaid interest	3.5	3.5
	Other allowances for bad debt	27.8	28.6
		<b>31.3</b>	<b>32.1</b>
<b>Allowance for interest repayments + allowance for bad debt</b>		<b>35.4</b>	<b>37.4</b>

\* March 2007 figures use a more detailed method of computing the portion of the allowance for bad debt of a single debtor that is the loan appropriation amount associated with request for repayment of overpaid interest and other allowances for bad debt

# Rakuten KC: Transaction Volume and Revenues

Composition of Transaction Volume

(Million Yen)

	06/Q2	06/Q3	06/Q4	07/Q1	07/Q2		
					Results	% of total	YoY change
General services	56,971	67,406	79,731	80,940	87,058	71.4%	52.8%
Card shopping	52,972	63,632	75,546	78,698	84,907	69.6%	60.3%
Other	3,999	3,774	4,185	2,243	2,152	1.8%	- 46.2%
Financing	50,922	52,357	44,586	33,986	30,409	24.9%	- 40.3%
Card cash advances	28,894	28,913	26,318	20,990	19,337	15.9%	- 33.1%
Loan card	22,028	23,444	18,268	12,996	11,071	9.1%	- 49.7%
Other financing	0	0	0	0	0	0.0%	-
Installment	13,527	25,882	5,618	11	23	0.0%	- 99.8%
Credit guarantee	37,020	19,297	8,074	2,858	2,528	2.1%	- 93.2%
Other	3,396	2,686	1,876	1,820	1,959	1.6%	- 42.3%
<b>Total transaction volume</b>	<b>161,836</b>	<b>167,628</b>	<b>139,885</b>	<b>119,616</b>	<b>121,978</b>	<b>100.0%</b>	<b>- 24.6%</b>

Composition of Revenues

(Million Yen)

	06/Q2	06/Q3	06/Q4	07/Q1	07/Q2		
					Results	% of total	YoY change
General services	1,837	2,051	2,349	2,390	2,487	15.1%	35.4%
Card shopping	1,667	1,886	2,179	2,253	2,357	14.3%	41.4%
Other	170	164	170	137	130	0.8%	- 23.7%
Financing	12,857	12,948	12,987	12,415	12,396	75.1%	- 3.6%
Card cash advance	(13,540)	(11,158)	(11,398)	(11,210)	(11,103)		- 18.0%
Loan card	8,234	7,995	8,032	7,603	7,632	46.2%	- 7.3%
Other financing	(8,744)	(6,648)	(6,835)	(6,538)	(6,686)	40.5%	- 23.5%
Installment	4,560	4,896	4,902	4,751	4,708	28.5%	3.2%
Other financing	(4,733)	(4,453)	(4,509)	(4,610)	(4,360)	26.4%	- 7.9%
Other financing	64	57	53	61	57	0.3%	- 11.6%
Installment	1,465	1,493	480	1	1	0.0%	- 99.9%
Other financing	(1,434)	(1,467)	(472)	(1)	(1)	0.0%	- 99.9%
Credit guarantee	1,239	662	420	281	286	1.7%	- 76.9%
Other	829	842	846	726	1,173	7.1%	41.5%
Financing revenues	215	264	173	101	167	1.0%	- 22.4%
<b>Total revenues</b>	<b>18,441</b>	<b>18,260</b>	<b>17,256</b>	<b>15,913</b>	<b>16,509</b>	<b>100.0%</b>	<b>- 10.5%</b>
	(19,094)	(16,444)	(15,658)	(14,708)	(15,217)		- 20.3%

Note: Amount of revenues in brackets include effects of securitization and as per income statement



# Rakuten KC: Expenses, Loan Receivables & Membership



## Operating Expenses

(Million Yen)

	06/Q2	06/Q3	06/Q4	07/Q1	07/Q2		
					Results	% of total	YoY change
Personnel cost	3,381	3,069	2,379	1,900	1,348	8.9%	- 60.1%
General expenses	5,749	6,216	5,657	4,776	4,717	31.1%	- 17.9%
Interest expenses	2,198	2,148	1,797	1,494	1,485	9.8%	- 32.4%
Expenses related to doubtful account	7,595	12,962	3,887	6,052	5,729	37.8%	- 24.6%
Interest repayment expenses	646	689	144	1,090	1,890	12.5%	192.6%
Total operating expenses	19,569	25,084	13,864	15,312	15,170	100.0%	- 22.5%

## Balance of Loan Receivables

	06/Q2	06/Q3	06/Q4	07/Q1	07/Q2		
					Results	% of total	YoY change
General services	54,617	55,733	62,198	60,825	64,137	16.1%	17.4%
Card shopping	47,653	49,087	55,376	54,927	58,635	14.7%	23.0%
Other	6,964	6,646	6,822	5,898	5,503	1.4%	- 21.0%
Financing	259,151	271,703	273,830	269,673	263,512	66.2%	1.7%
Card cash advances	125,924	129,015	128,451	126,117	122,668	30.8%	- 2.6%
(secured)	(98,091)	(95,646)	(90,589)	(92,437)	(94,524)	23.8%	- 3.6%
Loan card	99,781	108,487	110,941	109,482	106,494	26.8%	6.7%
(secured)	(81,464)	(81,964)	(79,371)	(85,186)	(82,421)	20.7%	1.2%
Other financing	33,446	34,201	34,438	34,074	34,350	8.6%	2.7%
Installment	112,808	121,471	1,158	1,166	1,108	0.3%	- 99.0%
(secured)	(14,495)	(8,787)	-	-	-	-	-
Credit guarantee	389,609	356,445	51,197	50,013	48,248	12.1%	- 87.6%
(off-balance guarantees)	(217,724)	(196,450)	(46,144)	(45,100)	(43,483)	10.9%	- 80.0%
Other	34,342	31,134	27,530	24,052	20,817	5.2%	- 39.4%
Total operating receivables	850,527	836,486	415,913	405,729	397,823	100.0%	- 53.2%
(as presented on balance sheet)	404,411	422,505	172,279	158,954	156,578	39.4%	- 61.3%

## Number of Current Cardholders

	06/Q2	06/Q3	06/Q4	07/Q1	07/Q2	
					Results	YoY change
Credit Card	2.43	2.58	2.67	2.79	2.86	17.7%
(Rakuten Card)	0.31	0.39	0.48	0.57	0.67	116.1%
Loan Card	0.50	0.50	0.47	0.47	0.46	-8.0%

## Balance Sheet (Jun 30, 2007)

(Billion Yen; Amounts Less Than 0.1 Billion Yen Omitted)

<b>CURRENT ASSETS</b>	<b>80.4</b>	<b>CURRENT LIABILITIES</b>	<b>31.1</b>
Cash and cash equivalents	2.1	Short-term borrowings	29.3
Loan receivables	70.2	Other current liabilities	1.7
Beneficial interest in securitized assets	7.4		
Other current assets	1.2	<b>FIXED LIABILITIES</b>	<b>44.3</b>
Allowances for bad debt	-0.7	Long-term borrowing	44.3
		Other current fixed liabilities	0
		<b>TOTAL LIABILITIES</b>	<b>75.4</b>
<b>FIXED ASSETS</b>	<b>2.2</b>	<b>EQUITY</b>	<b>7.1</b>
Tangible fixed assets	0	Capital stock	4.4
Intangible fixed assets	0.5	Capital surplus	3.4
Investment and other assets	1.6	Accumulated deficit	-0.7
		Treasury stock	0
		Valuation and translation adjustments	0
		<b>TOTA NET ASSETS</b>	<b>7.2</b>
<b>TOTAL ASSETS</b>	<b>82.7</b>	<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>82.7</b>

\*Securitized ¥25.3 billion in loan receivables in Jan-Jun/ 07

(November 2005)  
Operational Improvement Directive

- Several major system failures occurred
- Heavily loaded system due to sharply increased transaction volume

## Countermeasures

- System duplexing
- About ¥10 billion in system investments
- Launch of the Quality Control Department

**Reduction of Major System Failures**

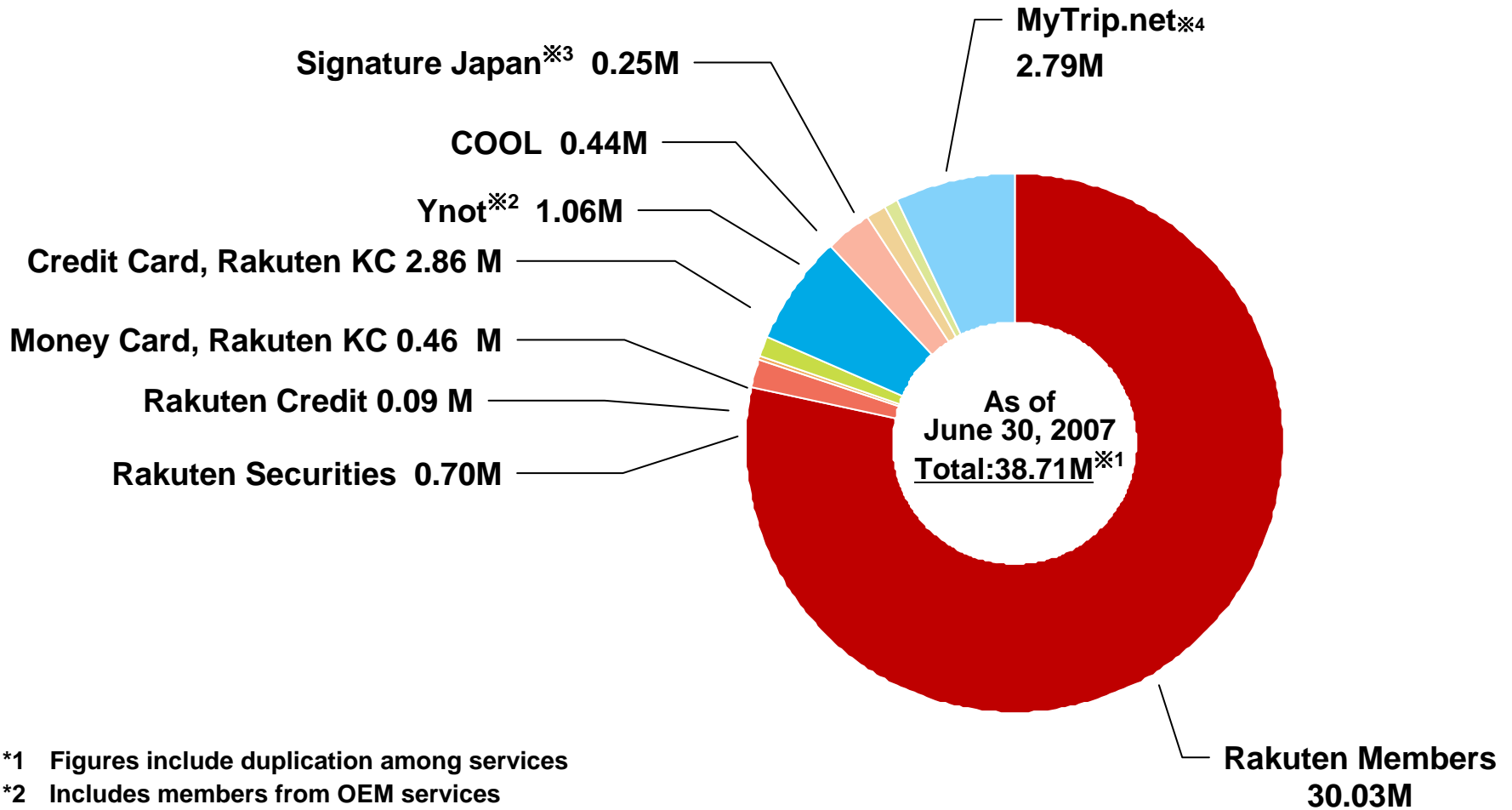
(June 2007)  
Operational Improvement Directive

- Several minor system defects found
- Inadequate measures to prevent system failures

## Countermeasures

- Enhance structure for managing system risk
- Seek qualitative improvements in quality and operating control

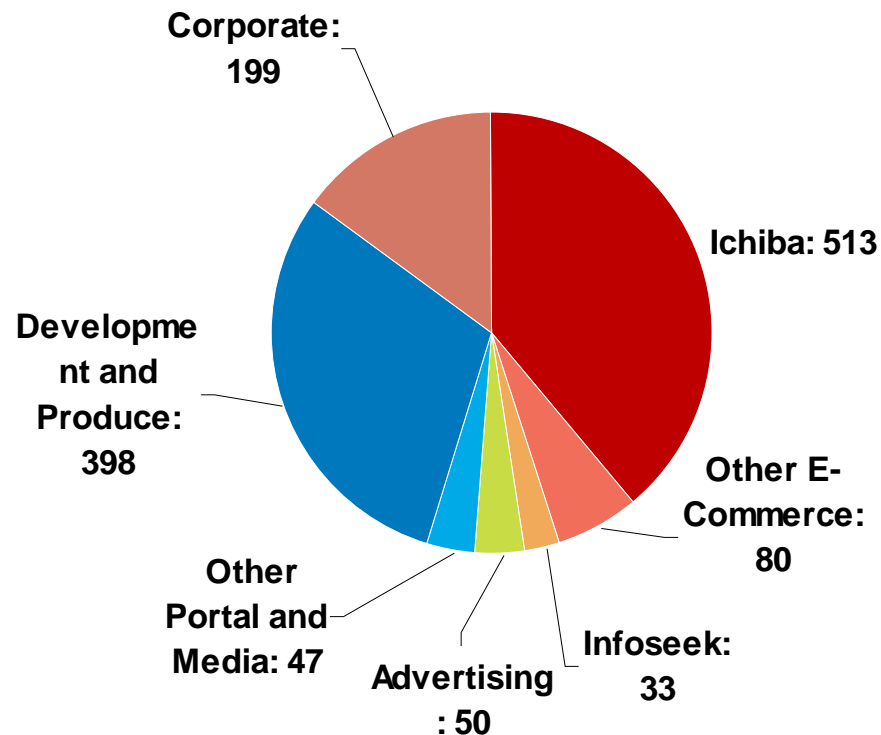
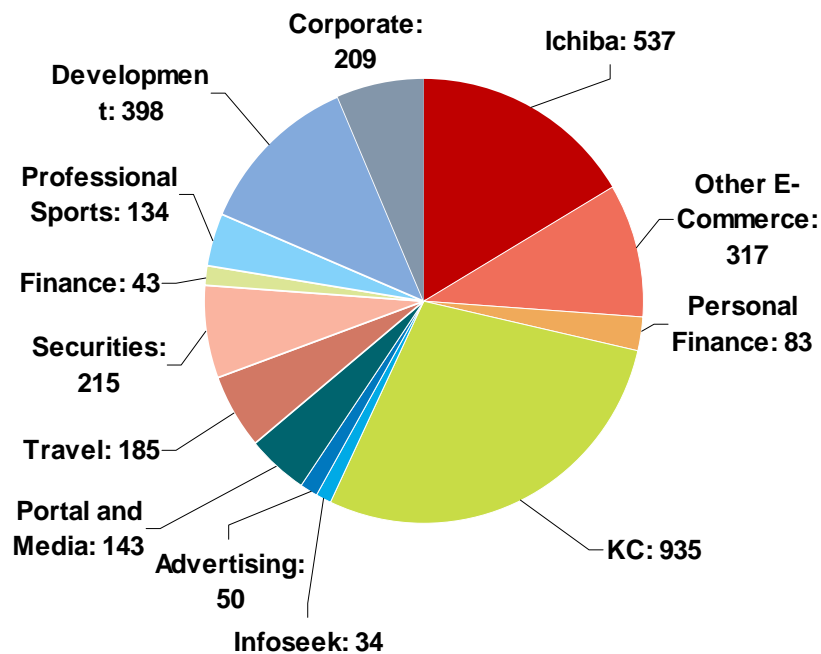
# Group Membership



- \*1 Figures include duplication among services
- \*2 Includes members from OEM services
- \*3 Includes automatic registration to contracted service
- \*4 MyTrip.net excludes members converted to Rakuten ID
- \*5 Ynot excluded members converted to Rakuten ID
- \*6 Financial related business added from 2006/4Q

## Rakuten Group: 3,283

## Rakuten, Inc.: 1,320 (Non-consolidated)



\* As of June 30, 2007

\* Excluding directors, auditors and part-time workers

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