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Consolidated Financial Reports For the nine months ended September 30, 2010

Rakuten, Inc.
November 9, 2010

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 TEL +813-6387-0555
Scheduled date of filing the securities report: November 10, 2010 Date of commencement of dividend payments —
Supplementary materials for quarterly financial results: Yes
Quarterly financial results information meeting held: Yes

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

1. Consolidated Results for the nine months ended September 30 of Fiscal 2010 (January 1–September 30, 2010)

(1) Consolidated Operating Results

(Percentage figures are refer to comparisons with the previous fiscal year)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended September 30, 2010	252,556	16.4	44,202	14.5	43,115	15.4	26,459	(44.2)
Nine months ended September 30, 2009	217,049	—	38,619	—	37,364	—	47,436	—

	EPS (Earning per Share)		EPS (Fully Diluted EPS)	
	Yen		Yen	
Nine months ended September 30, 2010		2,019.76		2,012.68
Nine months ended September 30, 2009		3,624.29		3,611.28

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Book-value per Share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2010	1,913,629	238,914	11.9	17,379.39
As of December 31, 2009	1,759,236	218,619	11.6	15,527.21

(Reference) Shareholders' equity: 227,748 million yen (as of year ended September 30, 2010); 203,344 million yen (as of year ended December 31, 2009)

2. Dividend Distribution

(Base Date)	Dividend per Share				
	1st Quarter	2nd Quarter	3rd Quarter	End of Year	Total
	Yen	Yen	Yen	Yen	Yen
FY2009	—	—	—	100.00	100.00
FY2010	—	—	—	—	—
FY2010 (Forecast)	—	—	—	—	—

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

3. Forecast of Consolidated Operating Results for Fiscal 2010 (January 1–December 31, 2010)

(Note) Revisions made to value in the quarterly consolidated earnings forecast: No

Rakuten, inc. and its group companies do not disclose earnings forecasts as its business operations include an Internet service business characterized by high uncertainty and financial related businesses such as securities business whose results heavily depended on high volatile markets. This precludes us from making earnings forecasts.

4. Other

(1) Significant changes in scope of consolidation: No

(2) Adoption of simplified accounting procedures: No

(3) Changes to consolidated accounting rules and procedures concerning the preparation and presentation of the financial statements (major items that provide the basis for preparing financial statements)

Changes in accounting policy: Yes

Other changes: No

(4) Number of shares issued (Common stock)

1. Common stock (including treasury stock)

13,105,469 shares (As of September 30, 2010)

13,096,980 shares (As of December 31, 2009)

2. Treasury stock

979 shares (As of September 30, 2010)

979 shares (As of December 31, 2009)

3. Average number of shares issued for the nine months ended September 30 of Fiscal 2010 (January 1– September 30, 2010)

13,100,170 shares (January 1– September 30, 2010)

13,088,449 shares (January 1– September 30, 2009)

5. Qualitative Information Related to Consolidated Business Results

(1) The nine months ended September 30, 2010 of Consolidated Business Results

In the first three quarters of the current fiscal year (January 1–September 30, 2010), the Japanese economy benefited from a sustained rise in business earnings resulting from an improvement in overseas economic trends, the benefits of economic policies and other factors. However, there were also signs of an emerging risk of downward pressure on business conditions from various factors, including concerns about deteriorating economic conditions in other countries, and dramatic exchange rate fluctuations. The economic outlook appears increasingly uncertain, and it is possible that consumer confidence will be eroded by the prolonged deflationary trend and fears of further deterioration in the employment situation.

In these macroeconomic conditions, the Rakuten Group implemented a range of measures in the first nine months of the current fiscal year, designed to improve user convenience and satisfaction and realize group synergies. These efforts were reflected in further growth in both revenues and income, and in large increases in segment sales compared with the same period in the previous year, including a 24.9% increase for the E-Commerce (EC) Business, which relates to Internet services, a 34.9% increase for the Portal and Media Business, and a 19.9% increase for the Travel Business. Despite a challenging market environment, there were also increases in revenues and income from finance-related services provided through the Banking and Securities Businesses, as well as 8.8% growth in revenues from the Credit Card Business, which benefited from concentrated investment of management resources in the “Rakuten Card” business.

Rakuten is working to implement a global growth strategy for the medium- to long-term future. In the third quarter of the current fiscal year, this strategy resulted in the acquisition of Buy.com Inc. in the United States and PriceMinister S.A. in France as consolidated subsidiaries. In addition to these acquisitions, we also converted Rakuten Bank, Ltd., into a wholly owned subsidiary through a takeover bid in the first three quarters of the period under review. As a result of these and other events during the first three quarters of the current fiscal year, there was a ¥1,149 million increase in goodwill amortization compared with the same period in 2009.

Net sales in the first three quarters amounted to ¥252,556 million, a 16.4% increase compared with the figure for the same period in 2009. Operating income was 14.5% higher at ¥44,202 million, while ordinary income rose by 15.4% to ¥43,115 million. Net income was 44.2% lower at ¥26,459 million. However, this reflects the fact that net income for the same period in the previous year was substantially higher because of a ¥21,607 million adjustment resulting from the inclusion of deferred tax assets and this resulted in ¥47,436 million of net income for the same period in the previous year.

(2) Business Segment Overview

Due to the inclusion of bitWallet Inc. as a consolidated subsidiary since the first quarter, we have created an E-Money Business Segment. In light of the above, we present the state of individual segments for the first three quarters of fiscal 2010.

E-Commerce Business Segment

Our core asset in the E-Commerce Business segment is the “Rakuten Ichiba” Internet shopping mall. In the first three quarters of the period under review, we worked to improve user satisfaction by expanding and enhancing product line-ups and by attracting new merchants in previously undeveloped genres and regions. Other measures targeted the quality of shipping services, including the introduction of the “Asu-Raku”, an overnight delivery service, whereby goods are delivered the day after the order. We also continued our efforts to increase the frequency of purchasing through sales promotion activities. Despite slow sales of fall and winter goods because of this year’s extremely hot summer, and despite the fact that the results for the same period in the previous year were boosted by special demand relating to a new influenza virus, we recorded sustained growth in both the number of unique purchasers and the number of orders, and gross transaction volume (including “Rakuten Books”) was 17.3% higher year-on-year.

Our aim under our global growth strategy is to expand and develop our EC business internationally. In the third quarter of the period under review, we acquired Buy.com Inc and PriceMinister S.A. as consolidated subsidiaries. These acquisitions were reflected in a ¥692 million increase in goodwill amortization compared with same period in 2009. As a result, net sales increased by 24.9% compared with the same period in the previous year to ¥100,789 million, and operating income by 12.6% to ¥27,589 million.

Credit Card Business Segment

In the Credit Card Business, we made steady progress with our transition to a business model centering on the “Rakuten Card” business in the first three quarters of the current fiscal year. Sustained growth in transactions by existing members contributed to earnings in this segment. However, there was also an increase in sales promotion expenses relating to our efforts to attract new members for our strategic “Rakuten Card” services. While net sales were 8.8% higher year-on-year at ¥46,343 million, operating income was 45.5% lower at ¥1,273 million.

E-Money Business Segment

The value of settlement transactions rose steadily in the first three quarters of the current fiscal year, thanks to an increase in the number of businesses accepting the “Edy” e-money system operated by bitWallet Inc., which became a consolidated subsidiary in the first quarter. Another factor was the success of sales promotion initiatives, including a charge campaign implemented with partner companies. Net sales amounted to ¥3,686 million. However, this was not sufficient to offset sales promotion activities and expenditure on the development of new merchants, and there was an operating loss of ¥595 million. Since this business was launched in the first quarter of the period under review, there are no comparisons with the results for the previous year.

Banking Business Segment

We have been working to improve management culture in the Banking Business since the previous fiscal year. In the first three quarters of the current fiscal year, the resulting improvement in the investment asset portfolio was reflected in a substantial increase in returns from investment assets and loans. There was also an increase in service income, including fees and commissions, following the introduction of a revised fee structure. For the first three quarters, there was a ¥370 million year-on-year increase in goodwill amortization associated with the conversion of Rakuten Bank, Ltd. into a wholly owned subsidiary and, in the third quarter, a valuation loss of ¥1,794 million on investment securities. However, net sales increased by 11.8% year-on-year to ¥25,166 million, and operating income was 14.3% higher at ¥1,180 million.

Portal and Media Business Segment

There was a substantial increase in advertising revenue from the “Rakuten Toolbar” service in the first three quarters. This service provides an efficient way to gather information and locate products from “Rakuten Ichiba” and other sources. Net sales increased by 34.9% compared with the same period 2009 to ¥16,760 million, and operating income was 143.5% higher at ¥1,610 million.

Travel Business Segment

In the first three quarters, we aggressively developed dynamic package products made possible by the addition of new partners, including Hokkaido Railway Company and Japan Airlines International Co., Ltd. We also actively developed smartphone-based applications and introduced new services. These efforts were reflected in increased leisure travel, and gross booking transaction volume showed substantial year-on-year growth of 19.7%. Net sales were 19.9% higher at ¥17,168 million, while operating income increased by 17.6% to ¥7,551 million.

Securities Business Segment

Commissions were lower in the first three quarters of the current fiscal year, mainly because of the stagnation of the Japanese stock market. However, we recorded increased commission revenues from FX transactions, and also from our expanded range of investment trusts. Net sales increased by 3.4%

year-on-year to ¥18,414 million, and operating income by 19.3% to ¥4,030 million.

Professional Sports Business Segment

Net sales for the first three quarters of the current fiscal year were 2.0% higher year-on-year at ¥6,897 million, thanks to higher advertising revenues and strong sales of sports-related goods. However, higher operating costs resulted in an operating loss of ¥318 million, compared with a ¥41 million operating loss in the same period in 2009.

Telecommunications Business Segment

Market conditions were difficult in the first three quarters, and net sales were 13.1% lower year-on-year at ¥17,330 million. Despite this, operating income was 274.4% higher at ¥823 million, thanks to our efforts to reduce overheads and the cost of sales. Another factor was a one-off income item resulting from the adjustment of interconnection charges with other carriers in the first quarter.

(Note)

*: The net sales figures shown in the segment overviews above represent sales to customers outside of the Rakuten Group and do not include intersegment sales.

6. Qualitative Information Pertaining to the Consolidated Financial Positions

Assets

Total assets as of September 30, 2010 amounted to ¥1,913,629 million. This represents an increase of ¥154,392 million from the position as of December 31, 2009 (¥1,759,236 million). The main contributing factors were a ¥31,957 million increase in negotiable deposits, a ¥45,920 million increase in goodwill, and a ¥59,358 million increase in other current assets, which relate mainly to financial business activities.

Liabilities

Total liabilities as of September 30, 2010, amounted to ¥1,674,714 million, an increase of ¥134,097 million from the position as of December 31, 2009 (¥1,540,617 million). The main reason for the higher figure was a ¥66,752 million increase in short-term loans, including loans owed by Rakuten KC, and a ¥30,700 million increase in commercial paper.

Net Assets

Net assets increased by ¥20,295 million from the position as of December 31, 2009 (¥218,619 million) to ¥238,914 million as of September 30, 2010. The main factor was a ¥25,219 million increase in shareholders' equity, resulting in part from net income of ¥26,459 million in the first three quarters of the current fiscal year.

7. Cash Flow

Cash and cash equivalents amounted to ¥112,723 million as of September 30, 2010. This represents an increase of ¥9,104 million from the total as of December 31, 2009. Cash flow trends during the first three quarters of the current fiscal year are summarized below.

Cash Flow from Operating Activities

Cash flow from operating activities included quarterly net income of ¥43,022 million before provision for income taxes and minority interests, compared with ¥37,846 million in the same period in 2009. Rakuten Bank, Ltd. recorded a cash outflow of ¥27,000 million resulting from a net increase in call loans relating to its Banking Business, compared with a cash inflow of ¥44,000 million resulting from a net reduction in call loans in the same period in 2009. There was a cash outflow of ¥16,633 million relating to an increase in loans provided through the Banking Business. Rakuten KC recorded an ¥18,222 million cash outflow resulting from an increase in "Rakuten Card" shopping transactions and the resulting rise in installment accounts receivable. There was a cash inflow of ¥16,093 million in the same period in 2009. Payments of income taxes resulted in a cash outflow of ¥20,491 million, compared with ¥14,920 million in the same period in 2009.

The total cash outflow from operating activities in the first three quarters of the current fiscal year amounted to ¥40,575 million, compared with a net outflow of ¥57,325 million in the same period in 2009.

Cash Flow from Investing Activities

There was a cash outflow of ¥40,136 million resulting from the purchase of investments in subsidiaries resulting in change in scope of consolidation of Buy.com Inc. and PriceMinister S.A., compared with an cash outflow of ¥3,292 million in the same period in 2009. Cash outflows for investments in subsidiaries resulting in change in scope of consolidation amounted to ¥18,825 million, compared with ¥1,578 million in the same period in 2009. This includes expenditure on the takeover bid for shares in Rakuten Bank, Ltd, a consolidated subsidiary. There was also a cash outflow of ¥276,875 million for the acquisition of securities relating to the Banking Business, compared with an outflow of ¥458,608 million in the same period in 2009. There were also cash inflows amounting to ¥293,166 million from sales and

redemption of securities relating to the Banking Business, including securities that had reached maturity, compared with inflows of ¥646,441 million in the same period in 2009.

The total cash outflow from investing activities in the first three quarters of the period under review amounted to ¥45,628 million, compared with a net inflow of ¥210,414 million in the same period in 2009.

Cash Flow from Financing Activities

Cash flow from financing activities included a ¥57,153 million inflow from the increase in short-term loans payable, chiefly at Rakuten, Inc. and Rakuten KC, compared with a ¥63,606 million outflow in the same period in 2009. In addition, an increase in commercial paper issued by Rakuten KC generated ¥30,700 million in cash inflows (compared with an inflow of ¥3,000 million in the same period in 2009).

Overall, cash flow from financing activities during the first three quarters came to a net inflow of ¥95,038 million, against a ¥144,449 million net outflow in the same period of previous fiscal year.

8. Qualitative Information Pertaining to Consolidated Performance Forecasts

Some segments, including the E-Commerce Business, are expected to show continuing high performance growth in fiscal 2010. Net sales and operating income are also expected to be higher than in the previous year due to the measures, such as to strengthen our management structure. The business performance of the Rakuten Group is affected by seasonal factors, and net sales tend to be higher in the third quarter because of leisure-related demand in the summer holiday season, and in the fourth quarter because of demand related to holiday season and year-end gifts.

However, some factors influencing our business performance are more difficult to forecast, due to the volatility of the business environment for Internet-related business activities, and the impact of shifts in financial markets trends on the performance of financial and other segments, including Securities Business. For this reason, we have not disclosed any quantitative performance forecasts.

Financial Results for the nine months ended September 30, 2010
(1) Consolidated Balance Sheets

(Millions of yen)

	As of September 30, 2010	As of December 31, 2009
(Assets)		
Current assets		
Cash and deposits	75,245	96,233
Notes and accounts receivable-trade	39,197	37,842
Accounts receivable-installment	111,333	93,111
Accounts receivable-installment sales-credit guarantee	2,534	2,833
Beneficial interests in securitized assets	40,380	41,774
Cash segregated as deposits for securities business	204,004	223,908
Margin transaction assets for securities business	137,583	119,060
Accounts Receivable-operating loans	175,909	177,806
Short-term investment securities	49,972	18,014
Securities for banking business	496,001	524,379
Loans and bills discounted for banking business	109,510	92,876
Deferred tax assets	13,457	13,680
Other	174,040	114,682
Allowance for doubtful accounts	(31,599)	(42,078)
Current assets	1,597,572	1,514,125
Noncurrent assets		
Property, plant and equipment	21,882	19,524
Intangible assets		
Goodwill	132,967	87,047
Other	46,932	33,481
Intangible assets	179,900	120,528
Investments and other assets		
Investment securities	63,293	59,314
Deferred tax assets	27,806	26,135
Other	26,400	23,990
Allowance for doubtful accounts	(3,225)	(4,380)
Investments and other assets	114,273	105,058
Noncurrent assets	316,057	245,111
Assets	1,913,629	1,759,236
(Liabilities)		
Current liabilities		
Notes and accounts payable-trade	26,782	28,231
Accounts payable-credit guarantee	2,534	2,833
Commercial papers	49,300	18,600
Short-term loans payable	216,489	149,736
Deposits for banking business	699,363	698,353
Current portion of bonds	4,800	4,246
Income taxes payable	9,662	12,564
Deferred tax liabilities	2,893	3,159
Deposits received for securities business	132,511	142,599
Margin transaction liabilities for securities business	45,596	59,015
Guarantee deposits received for securities business	78,686	89,122
Provision	16,975	12,317
Other	208,886	146,262
Current liabilities	1,494,484	1,367,044
Noncurrent liabilities		

	As of September 30, 2010	As of December 31, 2009
Bonds payable	17,553	18,987
Long-term loans payable	143,939	138,332
Deferred tax liabilities	2,112	460
Provision for loss on interest repayment	7,349	10,275
Other provision	441	356
Other	6,855	2,420
Noncurrent liabilities	178,252	170,833
Reserves under the special laws		
Reserve for financial products transaction liabilities	1,964	2,728
Reserve for commodities transaction liabilities	12	11
Reserves under the special laws	1,977	2,739
Liabilities	1,674,714	1,540,617
(Net assets)		
Shareholders' equity		
Capital stock	107,672	107,605
Capital surplus	115,965	115,899
Retained earnings	4,675	(20,410)
Treasury stock	(11)	(11)
Shareholders' equity	228,302	203,083
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2,467	1,841
Deferred gains or losses on hedges	(245)	(305)
Foreign currency translation adjustment	(2,776)	(1,274)
Valuation and translation adjustments	(554)	261
Subscription rights to shares	883	608
Minority interests	10,283	14,666
Net assets	238,914	218,619
Liabilities and net assets	1,913,629	1,759,236

(2) Consolidated Income Statements

For the nine months ended September 30, 2010

(Millions of yen)

	Nine months ended September 30, 2009 (January 1 to September 30, 2009)	Nine months ended September 30, 2010 (January 1 to September 30, 2010)
Net sales	217,049	252,556
Cost of sales	52,111	54,918
Gross profit	164,938	197,637
Selling, general and administrative expenses	126,318	153,435
Operating income	38,619	44,202
Non-operating income		
Interest income	140	54
Dividends income	185	90
Foreign exchange gains	8	—
Equity in earnings of affiliates	374	266
Hoard profit of prepaid card	—	218
Other	454	329
Non-operating income	1,163	960
Non-operating expenses		
Interest expenses	1,754	1,217
Commission fee	403	353
Foreign exchange losses	—	30
Other	260	445
Non-operating expenses	2,417	2,046
Ordinary income	37,364	43,115
Extraordinary income		
Gain on step acquisitions	—	1,700
Reversal of provision for loss on business liquidation	351	—
Reversal of reserve for financial products transaction liabilities	478	763
Gain on change in equity	4,034	—
Other	587	382
Extraordinary income	5,451	2,847
Extraordinary loss		
Loss on valuation of investment securities	1,387	—
Loss on investment securities	—	1,866
Restructuring loss	695	—
Impairment loss	1,153	152
Other	1,733	921
Extraordinary loss	4,970	2,940
Income before income taxes and minority interests	37,846	43,022
Income taxes-current	12,511	17,876
Income taxes-deferred	(21,607)	(1,929)
Income taxes	(9,096)	15,946
Minority interests in income (loss)	(493)	617
Net income	47,436	26,459

For the three months ended September 30, 2010

(Millions of yen)

	Three months ended September 30, 2009 (July 1 to September 30, 2009)	Three months ended September 30, 2010 (July 1 to September 30, 2010)
Net sales	77,256	88,447
Cost of sales	18,116	19,339
Gross profit	59,139	69,108
Selling, general and administrative expenses	43,949	53,153
Operating income	15,190	15,954
Non-operating income		
Interest income	96	8
Dividends income	2	—
Foreign exchange gains	19	—
Equity in earnings of affiliates	158	121
Hoard profit of prepaid card	—	74
Other	79	76
Non-operating income	357	281
Non-operating expenses		
Interest expenses	499	429
Commission fee	15	15
Foreign exchange losses	—	106
Other	86	108
Non-operating expenses	601	659
Ordinary income	14,946	15,576
Extraordinary income		
Gain on step acquisitions	303	—
Gain on sales of subsidiaries shares	181	—
Other	56	—
Extraordinary income	541	—
Extraordinary loss		
Loss on retirement of noncurrent assets	203	—
Restructuring loss	113	105
Cancellation fee	—	96
Other	276	34
Extraordinary loss	593	236
Income before income taxes and minority interests	14,894	15,340
Income taxes-current	6,559	6,821
Income taxes-deferred	(991)	(850)
Income taxes	5,567	5,970
Minority interests in income	7	64
Net income	9,318	9,304

(3) Consolidated Statements of Cash Flow

(Millions of yen)

	Nine months ended September 30, 2009 (January 1 to September 30, 2009)	Nine months ended September 30, 2010 (January 1 to September 30, 2010)
Net cash provided by (used in) operating activities		
Income before income taxes	37,846	43,022
Depreciation and amortization	10,649	12,144
Amortization of goodwill	4,117	5,176
Increase (decrease) in allowance for doubtful accounts	(5,763)	(6,145)
Increase (decrease) in provision for loss on interest repayment	(4,183)	(2,925)
Loss (gain) on valuation of securities for banking business	2,240	2,447
Loss (gain) on sales of securities for banking business	159	(78)
Other loss (gain)	301	5,091
Decrease (increase) in notes and accounts receivable-trade	1,476	804
Decrease (increase) in accounts receivable-installment	16,093	(18,222)
Decrease (increase) in beneficial interests in securitized assets	45,302	1,394
Decrease (increase) in operating loans receivable	(82,673)	1,886
Increase (decrease) in notes and accounts payable-trade	(2,007)	(3,695)
Increase (decrease) in accounts payable-other and accrued expenses	(5,512)	(4,278)
Increase (decrease) in advances received	(58)	-
Increase (decrease) increase in deposits for banking business	(90,642)	1,009
Decrease (increase) increase in call loans for banking business	44,000	(27,000)
Decrease (increase) in cash loans and bills discounted for banking business	-	(16,633)
Decrease (increase) in operating receivables for security business	(57,073)	(3,091)
Decrease (Increase) In cash segregated as deposits for securities business	4,700	-
Increase (decrease) in operating payable for security business	16,923	(33,943)
Increase (decrease) in loans payable secured by securities for securities business	8,042	23,384
Other, net	13,963	1,045
Subtotal	(42,097)	(18,608)
Payments for guarantee deposits for business operation	-	(4,568)
Proceeds from guarantee deposits for business operation	-	3,293
Income taxes paid	(14,920)	(20,491)
Other, net	(307)	(200)
Net cash provided by (used in) operating activities	(57,325)	(40,575)

	Nine months ended September 30, 2009 (January 1 to September 30, 2009)	Nine months ended September 30, 2010 (January 1 to September 30, 2010)
Net cash provided by (used in) investing activities		
Payments into time deposits	(9,285)	(5,493)
Proceeds from withdrawal of time deposits	4,909	3,156
Acquisition of securities for banking business	(458,608)	(276,875)
Proceeds from sales and redemption of securities for banking business	646,441	293,166
Proceeds from partial payment due to share purchase demand	40,000	8,875
Purchase of investments in subsidiaries	(1,578)	(18,825)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(3,292)	(40,136)
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	—	7,038
Purchase of property, plant and equipment	(2,392)	(4,225)
Purchase of intangible assets	(7,460)	(10,955)
Other payments	(862)	(3,565)
Other proceeds	1,891	1,611
Interest and dividends income received	652	599
Net cash provided by (used in) investing activities	210,414	(45,628)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(63,606)	57,153
Increase (decrease) in commercial papers	3,000	30,700
Proceeds from long-term loans payable	46,150	76,275
Repayment of long-term loans payable	(115,041)	(61,068)
Proceeds from issuance of bonds	1,234	1,400
Redemption of bonds	(6,010)	(6,280)
Purchase of treasury stock of subsidiaries in consolidation	(4,114)	(41)
Interest expenses paid	(1,750)	(1,183)
Proceeds from stock issuance to minority shareholders	452	67
Cash dividends paid	(1,307)	(1,312)
Cash dividends paid to minority shareholders	(228)	(292)
Other, net	(3,226)	(377)
Net cash provided by (used in) financing activities	(144,449)	95,038
Effect of exchange rate change on cash and cash equivalents	(36)	(456)
Net increase (decrease) in cash and cash equivalents	8,604	8,377
Cash and cash equivalents at beginning of period	81,283	103,618
Increase in cash and cash equivalents from newly consolidated subsidiary	34,751	727
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(158)	—
Cash and cash equivalents at end of period	124,480	112,723

(4) Business Segment Information

For the nine months ended September 30, 2009 (From January 1 to September 30, 2009)

(Millions of yen)

	E-Commerce	Credit Card	Banking	Portal Media	Travel	Securities	Professional Sports	Telecommunications	Total	Elimination	Consolidated
Sales to customers	80,683	42,599	22,515	12,425	14,321	17,803	6,764	19,936	217,049	—	217,049
Intersegment Sales	1,194	1,558	736	5,043	202	14	352	41	9,143	(9,143)	—
Total Sales	81,878	44,158	23,252	17,468	14,524	17,817	7,116	19,977	226,193	(9,143)	217,049
Operating Income (loss)	24,507	2,336	1,033	661	6,423	3,378	(41)	219	38,519	100	38,619

For the nine months ended September 30, 2010 (From January 1 to September 30, 2010)

(Millions of yen)

	E-Commerce	Credit Card	e-money	Banking	Portal Media	Travel	Securities
Sales to customers	100,789	46,343	3,686	25,166	16,760	17,168	18,414
Intersegment Sales	1,988	2,446	17	1,456	5,995	375	197
Total Sales	102,778	48,789	3,704	26,622	22,755	17,543	18,611
Operating Income (loss)	27,589	1,273	(595)	1,180	1,610	7,551	4,030

	Professional Sports	Telecommunications	Total	Elimination	Consolidated
Sales to customers	6,897	17,330	252,556	—	252,556
Intersegment Sales	384	121	12,984	(12,984)	—
Total Sales	7,281	17,452	265,540	(12,984)	252,556
Operating Income (loss)	(318)	823	43,144	1,057	44,202

For the three months ended September 30, 2009 (From July 1 to September 30, 2009)

(Millions of yen)

	E-Commerce	Credit Card	Banking	Portal Media	Travel	Securities	Professional Sports	Telecommunications	Total	Elimination	Consolidated
Sales to customers	28,621	14,330	7,811	4,681	5,908	6,201	3,193	6,506	77,256	—	77,256
Intersegment Sales	367	813	369	1,947	80	9	120	14	3,722	(3,722)	—
Total Sales	28,989	15,144	8,180	6,629	5,989	6,210	3,313	6,521	80,978	(3,722)	77,256
Operating Income (loss)	8,291	836	855	323	2,868	1,341	710	35	15,263	(72)	15,190

For the three months ended September 30, 2010 (From July 1 to September 30, 2010)

(Millions of yen)

	E-Commerce	Credit Card	e-money	Banking	Portal Media	Travel	Securities
Sales to customers	35,905	15,780	1,291	8,397	5,814	6,970	5,598
Intersegment sales	576	871	6	489	2,268	101	103
Total Sales	36,481	16,652	1,297	8,886	8,082	7,072	5,701
Operating Income (loss)	9,033	1,010	(245)	(98)	501	3,440	1,013

	Professional Sports	Telecommunications	Total	Elimination	Consolidated
Sales to customers	3,123	5,566	88,447	—	88,447
Intersegment sales	130	50	4,598	(4,598)	—
Total Sales	3,253	5,616	93,046	(4,598)	88,447
Operating Income (loss)	577	234	15,468	486	15,954

(Note) Consolidated Financial Statements

(Millions of yen)

For the nine months ended September 30, 2009 (From January 1 to September 30, 2009)	For the nine months ended September 30, 2010 (From January 1 to September 30, 2010)
The breakdown of selling with the sales, general and administrative expenses is as follows.	The breakdown of selling with the sales, general and administrative expenses is as follows.
Point costs 4,780	Point costs 7,729
Advertisement and promotion expenses 12,091	Advertisement and promotion expenses 18,897
Personnel expenses 28,662	Personnel expenses 34,327
Provision for bonuses 3,330	Provision for bonuses 4,283
Depreciation 9,514	Depreciation 11,057
Communications and maintenance expenses 9,893	Communications and maintenance expenses 10,907
Consignment and subcontract expenses 15,769	Consignment and subcontract expenses 18,511
Provision of allowance for doubtful accounts 11,550	Provision of allowance for doubtful accounts 12,728

(Millions of yen)

For the three months ended September 30, 2009 (From July 1, 2009 to September 30, 2009)	For the three months ended September 30, 2010 (From July 1, 2010 to September 30, 2010)
The breakdown of selling with the sales, general and administrative expenses is as follows.	The breakdown of selling with the sales, general and administrative expenses is as follows.
Point costs 1,860	Point costs 2,537
Advertisement and promotion expenses 4,335	Advertisement and promotion expenses 6,827
Personnel expenses 10,523	Personnel expenses 11,625
Provision for bonuses 681	Provision for bonuses 2,068
Depreciation 3,258	Depreciation 3,983
Communications and maintenance expenses 3,246	Communications and maintenance expenses 3,717
Consignment and subcontract expenses 5,403	Consignment and subcontract expenses 6,469
Provision of allowance for doubtful accounts 4,043	Provision of allowance for doubtful accounts 3,869

(Note) Significant Subsequent Events**Third Quarter of Current Fiscal Year (July 1–September 30, 2010)****Transaction under Common Control**

In accordance with a resolution adopted by the Board of Directors at its meeting on August 19, 2010, Rakuten, Inc. entered into a share exchange agreement with its consolidated subsidiary, Rakuten Bank, Ltd. As a result of the share exchange, which was implemented on October 15, 2010, Rakuten, Inc. became the wholly owning parent company and Rakuten Bank, Ltd. a wholly owned subsidiary.

1. Overview of Transaction**(1) Name and business activities of merged company**

- (i) Name of merged company: Rakuten Bank, Ltd., a subsidiary of Rakuten, Inc.
- (ii) Business activities: Banking services, through digital media

(2) Merger date: October 15, 2010**(3) Legal format of merger: Conversion to wholly owned subsidiary through share exchange****(4) Name of company after merger: No change****(5) Other information about the transaction**

The purpose of the share exchange was to convert Rakuten Bank, Ltd., a consolidated subsidiary, into a wholly owned subsidiary. This step was necessary to maximize business-related synergies with Rakuten, Inc., and its group companies, to create a structure that would allow timely and flexible management decision-making, and to facilitate effective use of management resources.

Prior to this transaction, Rakuten, Inc. initiated a take-over bid for the shares, etc., of Rakuten Bank, Ltd. in March 2010. The take-over bid period ended in May, at which point it was deemed appropriate to implement the share exchange after the stock market had taken into account Rakuten, Inc.'s acquisition of Internet companies in the United States and France, and its globalization strategy based on these acquisitions. The resolution of the Board of Directors concerning the share exchange was therefore delayed until after the closing of the overseas acquisitions in August 2010, and the effective date for the exchange until October 15.

2. Overview of Accounting Process

In accordance with the Accounting Standard for Business Combinations (ASBJ Statement No. 21 of December 26, 2008) and the Implementation Guidance on the Accounting Standard for Business Combinations and Business Divestitures (ASBJ Guidance No. 10 of December 26, 2008), the aforementioned transaction will be treated as a transaction under common control.

3. Matters Relating to Supplementary Acquisition of Shares in a Subsidiary**(1) Acquisition price of acquired company, breakdown of price**

Acquisition price: ¥3,777 million

(2) Exchange ratio for each type of share, calculation methods used, numbers of shares allocated, and valuation**(i) Exchange ratios for each type of share**

Common stock: 1 Rakuten, Inc. share per 0.52 Rakuten Bank, Ltd. shares

(ii) Calculation method for exchange ratios

To ensure that the exchange ratio used would be fair and reasonable, the companies each commissioned an independent body (ABeam M&A Consulting Ltd. for Rakuten, Inc., and KPMG FAS Co., Ltd., for Rakuten Bank, Ltd.) to calculate the exchange ratio. The two companies then used the results to determine the share exchange ratio through a process of negotiation.

(iii) Number of shares allocated, valuation

Number of shares allocated: 61,934

Valuation of allocated shares: ¥3,777 million