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, 2011

Rakuten, Inc.
November 9, 2011

Company name	Rakuten, Inc.			Listed	Osaka Securities Exchange
Code No	4755			URL	http://www.rakuten.co.jp/
Representative	(Title)	Chairman and CEO	(Name)	Hiroshi Mikitani	
Contact person	(Title)	CFO	(Name)	Ken Takayama	

Scheduled date of filing the securities report: November 10, 2011 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 2011 (January 1–September 30, 2011)

(1) Consolidated Operating Results

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

	Net Sales		Operating Income		Ordinary Income		Net Income (loss)	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended September 30, 2011	270,458	7.1	48,170	9.0	46,780	8.5	(18,569)	—
Nine months ended September 30, 2010	252,556	16.4	44,202	14.5	43,115	15.4	26,459	(44.2)

	EPS (Earning per Share)	EPS (Fully Diluted EPS)
	Yen	Yen
Nine months ended September 30, 2011	(1,414.60)	—
Nine months ended September 30, 2010	2,019.76	2,012.68

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2011	1,883,443	218,345	11.3	16,142.29
As of December 31, 2010	1,949,516	249,233	12.2	18,160.62

(Reference) Shareholders' equity: 211,962 million yen(as of September 30, 2011); 238,296 million yen (as of December 31, 2010)

2. Dividend Distribution

	Dividend per Share				
(Base Date)	1st Quarter	2nd Quarter	3rd Quarter	End of Year	Total
	Yen	Yen	Yen	Yen	Yen
FY2010	—	—	—	200.00	200.00
FY2011	—	—	—		
FY2011 (Forecast)				—	—

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

3. Forecast of Consolidated Operating Results for Fiscal 2011 (January 1–December 31, 2011)

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

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

4. Other

(1) Significant changes in the scope of consolidation: Yes

Decrease: Rakuten KC Co., Ltd

(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

(4) Number of shares issued (Common stock)

1.Common stock (including treasury stock)

13,190,976 shares (As of September 30, 2011)

13,181,697 shares (As of December 31, 2010)

2.Treasury stock

60,079 shares (As of September 30, 2011)

60,079 shares (As of December 31, 2010)

3.Average number of shares issued for the nine months ended September 30 (January 1– September 30, 2011)

13,126,912 shares (January 1– September 30, 2011)

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

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, 2011

During the first three quarters (January 1 to September 30, 2011), the Japanese economy went into a temporary stall after the Great East Japan Earthquake but then picked up as supply chains were reestablished. We foresee the Japanese economy getting back on track while the country rebuilds, but believe this phase also requires close watch on some risks including the possibility of an overseas business contraction.

Nevertheless, the Internet shopping market has seen a doubling in average annual purchases from 2002 to 2010 as an estimated one-third or more of the population over 15 years of age has taken advantage of Internet shopping, according to the latest survey from the Ministry of Internal Affairs and Communications(*1). The results of this survey on Japanese consumption patterns provide evidence that Internet shopping has taken hold as a means of making purchases and undergone rapid growth. We expect this market to continue its healthy expansion hand-in-hand with changes in consumer purchasing behavior arising from the spread of smartphones and the move from real stores to the Internet since the earthquake.

Under these conditions, the Rakuten Group steadily aimed for more user convenience and better customer satisfaction and initiated such programs as expanding smart phone services and enriching its store listings during the first three quarters. Rakuten's international expansion has picked up speed since last year with the grand opening of an Internet shopping mall in Indonesia and making a Brazilian e-commerce operator into a subsidiary. The company added to this in the third quarter by its decision to enter the German and UK markets. Our Internet Finance businesses have taken advantage of synergies within the group to achieve continued growth. We reorganized the Credit Card Business during the third quarter in order to focus resources better on the Rakuten Card business, a core business with high growth prospects tied to the expansion of the Internet shopping market. The Rakuten Card-related business of the former Rakuten KC Co., Ltd., a Rakuten consolidated subsidiary, was transferred to Rakuten Card Co., Ltd. (another Rakuten consolidated subsidiary, formerly Rakuten Credit Co., Ltd.) in an absorption-type split. We then sold our holdings of Rakuten KC stock and took other financial measures(*2).

As a result of the above, net sales in the first three quarters grew at a steady clip, despite the short-term effect of the earthquake, amounting to ¥270,458 million for the period (up 7.1% year-on-year).

Operating income is ¥48,170 million (up 9.0% year on year) despite recording a ¥4,264 million provision as a result of recalculating interest repayments prior to the reorganization of the Credit Card Business, while ordinary income was ¥46,780 million (up 8.5% year on year). All three figures represent record-high results. Income before income taxes and minority interests, on the other hand, show a net loss of ¥34,804 million as a result of the ¥82,248 million extraordinary loss recorded in connection with the reorganization of the Credit Card Business. Net income is a loss of ¥18,569 million after realizing ¥22,393 million in deferred income taxes, compared with net income of ¥26,459 million in the same period of the previous year.

(2) Segment Information

The Rakuten group, a comprehensive provider of online services, has aligned its businesses along two main axes: Internet services and Internet financial services.

Since the first quarter of the fiscal year ending December 31, 2011, we have applied the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Statement No. 17, March 27, 2009) and the Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Guidance No. 20, March 21, 2008). In accordance with this standard and guidance, we have identified three reporting segments: Internet Services, Internet Finance, and Others. These segments represent the constituent units of the Rakuten Group for which we are able to obtain specific financial data. This segment information will be regularly reviewed as the basis for the assessment of business performance, and for decisions by the Board of Directors concerning the allocation of business resources.

The composition of each segment is as follows.

The Internet Services segment is centered on the Rakuten Ichiba Internet shopping mall and is composed of businesses that operate a set of web sites in e-commerce, travel, portal services, and other areas and conduct sales and related transactions of advertising, content, etc., for these sites.

The Internet Finance segment consists of businesses that provide services over the Internet, including banking, securities services, credit card-related services, and e-money services.

The Others segment includes businesses for the provisioning of telecommunications services and operation of a professional baseball team.

Business results for each segment are as follows.

■ **Internet Services**

In its flagship Rakuten Ichiba, the Internet Services segment aggressively expanded offerings that leverage smartphones and social media and made great efforts to enrich its listing of stores, enhance delivery service, and leverage databases in marketing. The segment also opened the eBook store during the third quarter in order to respond to the demand for e-books that is expected to develop rapidly with the penetration of terminal devices. Gross merchandise sales suffered a short-term impact from the earthquake but then quickly recovered as customers saw the convenience of Internet shopping and made greater use of it for daily consumables. These efforts led to firm growth in unique purchasers and number of orders, for another period of high growth with a 17.1% year-on-year rise in domestic e-commerce gross merchandise sales. In the Travel Business, a broader lineup of products in the Dynamic Package and a marketing strategy that makes successful use of coupons and other promotions combined with strategic initiatives to spur travel demand overcame the effect of post-earthquake cancellations to achieve a 15.2% year-on-year increase in gross bookings. In overseas e-commerce, the segment held the grand opening of Rakuten Belanja Online, an Indonesia Internet shopping mall, and converted RAKUTEN BRASIL INTERNET SERVICE LTDA. into a consolidated subsidiary(*3). In the third quarter in particular, the company decided to acquire Tradoria GmbH of Germany and Play Holdings Limited of the UK and convert them into consolidated subsidiaries.

As a result of the above, the Internet Services segment added to its healthy performance with ¥153,820 million in net sales and ¥44,969 million in segment operating income.

■ **Internet Finance**

In credit card-related services for the first three quarters of the fiscal year, the Internet Finance segment showed strong growth in Rakuten Card membership applications coming from services of Rakuten Group companies along with increased shopping transaction volume and healthy growth in revolving shopping balances that led to greater commission revenues. Banking services reaped the benefits of effective marketing programs to Rakuten members and solid additions to loan balances, leading to increased interest income from loans. The Securities Business implemented usability improvements to trading tools, but trading commission income failed to rise as much as expected due to the bearish conditions in the stock market. Also, since the first half, the Securities Business has initiated programs to create synergies with financial services aimed at greater convenience and satisfaction for Rakuten Group members, such as the Money Bridge service to link accounts between Rakuten Securities, Inc. and Rakuten Bank Co., Ltd.

As a result of the above, the Internet Finance segment reported ¥107,030 million in net sales. Segment results are affected by a ¥4,264 million provision as a result of recalculating interest repayments prior to the reorganization of the Credit Card Business, but still achieved segment operating income of ¥8,089 million.

■ **Others**

Telecommunications services achieved growth in new subscribers of its Internet service provider business that is focusing on fiber optics. By also making headway on reducing fixed costs and through retroactive settlements of interconnection fees with other carriers, the segment was able to finish the third quarter period with record-high operating income. In professional sports, sales took a downturn due to adjustments in the game schedule on account of the earthquake, resulting in slightly lower sales despite higher game attendance.

These factors led the Others segment to net sales of ¥26,604 million and segment operating income of ¥1,380 million.

(Notes)

1. Source: Heisei 23 Nen Joho Tsushin ni Kansuru Genjo Hokoku [Fiscal 2011 Information and Communications Status Report] (published by the Ministry of Internal Affairs and Communications, August 9, 2011)
2. On August 1, 2011, the business name of the former Rakuten Credit Co., Ltd., a consolidated subsidiary of Rakuten, Inc., was changed to Rakuten Card Co., Ltd., and the business name of the former Rakuten KC Co., Ltd. was changed to KC Card Co., Ltd., which is no longer a Rakuten subsidiary.
3. The business name of Ikeda Internet Software Ltda. was changed to RAKUTEN BRASIL INTERNET SERVICE LTDA. on September 22, 2011.

(3) Balance Sheet

■ **Assets**

Total assets as of September 30, 2011 amount to ¥1,883,443 million. This represents a decrease of ¥66,073 million from the ¥1,949,516 million at the end of the previous fiscal year (December 31, 2010). The primary factors behind this decrease are, while there are some asset increases consisting of ¥78,339 million in negotiable certificates of deposit and ¥24,462 million in loans and bills discounted for the Banking Business, there are decreases of ¥92,835 million in operating loans associated with the reorganization of the Credit Card Business, ¥17,916 million in goodwill, and ¥47,323 million in investment mainly due to the sale of investments in Tokyo Broadcasting System Holdings, Inc.

■ **Liabilities**

Total liabilities as of September 30, 2011 amount to ¥1,665,097 million, a decrease of ¥35,185 million from ¥1,700,282 million at the previous fiscal year end. The main factors are an increase of ¥48,893 million in long-term loans payable, and decreases of ¥28,778 million in other current liabilities related to the sale of investments in Tokyo Broadcasting System Holdings Inc., ¥20,900 million in commercial paper related to the reorganization of the Credit Card Business, and ¥15,197 million for income taxes payable.

■ **Net Assets**

Net assets as of September 30, 2011 amount to ¥218,345 million, a decrease of ¥30,888 million compared with the ¥249,233 million as of December 31, 2010. Major contributors include a net loss of ¥18,569 million for the first three quarters, which contributed to a ¥20,913 million fall in shareholders' equity.

(4) Cash Flows

Cash and cash equivalents at the end of the first three quarters of the current fiscal year is ¥183,083 million, an increase of ¥82,346 million from the end of the previous fiscal year. Cash flow conditions and their major factors for the first three quarters are as follows.

■ **Cash Flows from Operating Activities**

Cash flows from operating activities are a net outflow based on a loss charged to net income of ¥34,804 million in income before income taxes and minority interests, as opposed to net income of ¥43,022 million for the same period in the previous fiscal year. Major activities requiring cash outflows include a net increase in loans for the Banking Business of ¥24,462 million (compared with ¥16,633 million for the same period in the previous fiscal year) and ¥22,157 million for income taxes paid (compared with ¥20,491 million for the same period in the previous fiscal year). Net income for the reporting period includes a non-cash flow entry of ¥76,487 million for extraordinary losses arising from the reorganization of the Credit Card Business, which is adjusted by stating a corresponding cash inflow of the same value.

As a result of the above, net cash flows from operating activities are a net inflow of ¥13,399 million for the first three quarters of the current fiscal year, a reversal of the ¥40,575 million net outflow in the same period for the previous fiscal year.

■ **Cash Flows from Investing Activities**

Major cash flows from investing activities include net outflows of ¥295,391 million in acquisition of securities for the Banking Business (compared with ¥276,875 million for the same period of the previous fiscal year) and ¥11,283 million for purchase of software and other intangible assets (compared with ¥10,955 million for the same period of the previous fiscal year). Inflows include proceeds from sale and redemption of securities for the Banking Business, which account for ¥356,583 million compared with ¥293,166 million for the same period in the previous year.

As a result of the above, net cash flows from investing activities are a net inflow of ¥47,518 million for the first three quarters of the current fiscal year, compared with a ¥45,628 million net outflow in the same period for the previous fiscal year.

■ **Cash Flows from Financing Activities**

Cash flows from financing activities include net outflows of ¥96,260 million for repayment of long-term loans payable (compared with ¥61,068 million for the same period in the previous fiscal year) and ¥20,900 million for a net decrease in commercial paper (as opposed to a net increase of ¥30,700 million for the same period of the previous fiscal year). On the inflow side, ¥135,350 million was provided by proceeds from long-term loans payable, compared with ¥76,275 million for the same period last fiscal year.

In total, cash flows from financing activities during the first three quarters of the current fiscal year come to a net inflow of ¥21,526 million, compared with a ¥95,038 million in the same period of the previous fiscal year.

(5) Qualitative Information about Consolidated Business Forecasts

In the year ending December 31, 2011, we expect the Great East Japan Earthquake to have a temporary impact, and we anticipate further expansion in the use of our services in Japan including e-commerce and travel, resulting in continued high growth. We will also actively develop our strategy to pursue growth in overseas markets, with the aim of expanding income streams in the medium- to long-term perspective. As for Internet Finance, many factors including financial markets and changes of business environments may affect its business performance, but we expect sustained growth in earnings generated by synergies within the Rakuten Group. We therefore aim to surpass our financial results for the year ended December 31, 2010 through continued efforts to improve existing services and create new ones. There is, however, a possibility that net income for the year ending December 31, 2011 could come to a net loss, on both a consolidated and an unconsolidated basis. This is due to the extraordinary losses associated with the reorganization of the Credit Card Business, even though we expect operating income to be at the same level as the previous fiscal year.

In addition, Rakuten and its group businesses do not disclose earnings forecasts as its business operations include an Internet service business and financial businesses like a securities business characterized by high volatility and uncertainty based upon the market trends. This precludes us from making earnings forecasts.

(6) Other Information

(a) Application of the Accounting Standard for Equity Accounting Method, etc

Since the first quarter of the year ending December 31, 2011, we have applied the Accounting Standard for Equity Accounting Method (ASBJ Statement No.16, March 10, 2008) and the Present Treatment of Accounting Method for Equity Accounting Method for Affiliated Companies (ASBJ practical report No.24, March 10, 2008).

There is no impact on operating income, ordinary income and net income before income taxes and minority interests by this application.

(b) Application of the Accounting Standard for Asset Retirement Obligation, etc

Since the first quarter of the fiscal year ending December 31, 2011, we have applied the Accounting Standard for Asset Retirement Obligation (ASBJ Statement No.18, March 31, 2008) and the Guidance on the Accounting Standard for Asset Retirement Obligation (ASBJ Guidance No.21, March 31, 2008).

As a result of this application, although the impact on operating income and ordinary income is small, extraordinary losses by this application amounted to ¥382 million. Also, changes of the amount of Asset Retirement Obligation by this application amounted to ¥1,384 million.

(c) Change to Depreciation Method for Tangible Fixed Assets (Excluding Leased Assets)

In the past, Rakuten, Inc. and some of its consolidated subsidiaries applied the declining-balance method of depreciation to the tangible fixed assets (excluding leased assets) other than buildings (excluding ancillary facilities) acquired after April 1, 1998. Starting in the first quarter of the fiscal year ending December 31, 2011, we have changed to straight-line method of depreciation. The purpose of this change is to reflect the ways in which tangible fixed assets are used more appropriately in light of our overseas expansion, and to result in the allocation of costs more accurately to earnings based upon the usage of tangible fixed assets.

As a result of this change, depreciation expenses has been decreased by ¥785 million, operating income and ordinary income have been increased by ¥785 million, and net loss before income taxes and minority interests has been decreased by ¥785 million compared with the previous method applied.

(d) Allowance for Doubtful Accounts

During the financial reporting period, a business transfer took place on August 1, 2011, in conjunction with the reorganization of the Credit Card Business.

As a result of this transfer, the Rakuten Group's Credit Card Business has shifted to a business model based on unsecured credit and settlement operations conducted mainly over the Internet. In line with this change, we have conducted organizational change in the credit control and will be concentrating more resources on recovery of early-stage uncollected receivables. For long-term outstanding receivables, we have set up a collectibles system that aligns collection effectiveness and costs given the limited human resources after the reorganization.

In connection with these changes, we have made additional provision to the allowance for doubtful accounts as a result of a review of loanee classification and provision ratios.

Based on a change of these estimation methods, we have reorganized additional allowance for doubtful accounts of ¥11,870 million and recorded a corresponding extraordinary loss, which resulted in the same effect on loss before income taxes and minority interests and also affected ¥7,003 million to net loss in the consolidated income statement for the financial reporting period.

Consolidated Financial Results for the nine months ended September 30, 2011

(1) Consolidated Balance Sheets as of December 31, 2010 and September 30, 2011

(Millions of yen)

	As of September 30, 2011	As of December 31, 2010
(Assets)		
Current assets		
Cash and deposits	79,175	72,866
Notes and accounts receivable-trade	42,474	45,353
Accounts receivable-installment	44,300	100,908
Accounts receivable-installment sales-credit guarantee	2,231	2,465
Beneficial interests in securitized assets	69,663	66,601
Cash segregated as deposits for securities business	204,194	223,113
Margin transaction assets for securities business	123,354	126,779
Operating loans receivables	64,114	156,949
Short-term investments	113,850	35,510
Securities for banking business	538,615	535,087
Loans and bills discounted for banking business	150,342	125,880
Deferred tax assets	33,649	13,340
Other	188,005	151,586
Allowance for doubtful accounts	(17,739)	(27,011)
Total current assets	1,636,232	1,629,432
Noncurrent assets		
Property, plant and equipment	15,214	21,890
Intangible assets		
Goodwill	109,538	127,455
Other	54,000	54,040
Total intangible assets	163,539	181,496
Investments and other assets		
Other investments	20,510	67,834
Deferred tax assets	26,431	25,458
Other	36,533	26,453
Allowance for doubtful accounts	(15,018)	(3,049)
Total investments and other assets	68,456	116,697
Total noncurrent assets	247,210	320,084
Total assets	1,883,443	1,949,516

(Millions of yen)

	As of September 30, 2011	As of December 31, 2010
(Liabilities)		
Current liabilities		
Notes and accounts payable-trade	38,280	36,835
Accounts payable-credit guarantee	2,231	2,466
Commercial papers	29,100	50,000
Short-term loans payable	186,224	180,439
Deposits for banking business	718,272	713,272
Current maturities of bonds payable	4,800	4,800
Income taxes payable	2,392	17,590
Deferred tax liabilities	59	2,716
Deposits received for securities business	134,829	145,973
Margin transaction liabilities for securities business	31,893	55,328
Guarantee deposits received for securities business	82,793	77,772
Payables secured by securities for securities business	41,317	32,775
Current allowance	19,532	15,685
Other	179,325	208,103
Total current liabilities	1,471,054	1,543,759
Noncurrent liabilities		
Bonds payable	2,753	5,553
Long-term loans payable	176,375	127,482
Deferred tax liabilities	4,233	4,693
Provision for loss on interest repayment	—	10,175
Non-current allowance	1,417	393
Other	7,389	6,246
Total noncurrent liabilities	192,169	154,545
Reserves under the special laws		
Reserve for financial products transaction liabilities	1,838	1,964
Reserve for commodities transaction liabilities	35	12
Total reserves under the special laws	1,873	1,977
Total liabilities	1,665,097	1,700,282

(Millions of yen)

	As of September 30, 2011	As of December 31, 2010
(Net assets)		
Shareholders equity		
Capital stock	107,919	107,779
Capital surplus	119,991	119,850
Retained earnings (Accumulated deficit)	(8,010)	13,183
Treasury stock	(3,625)	(3,625)
Total shareholders equity	216,274	237,187
Valuation and translation adjustments		
Unrealized gain on available for sale securities	3,127	6,000
Deferred gains or losses on hedges	0	(198)
Foreign currency translation adjustments	(7,439)	(4,693)
Total valuation and translation adjustments	(4,311)	1,108
Equity warrant	1,123	957
Minority interests	5,259	9,979
Total net assets	218,345	249,233
Total liabilities and net assets	1,883,443	1,949,516

(2) Consolidated Income Statements

For the nine months ended September 30, 2010 and 2011

(Millions of yen)

		Nine months ended September 30, 2010 (January 1 to September 30, 2010)		Nine months ended September 30, 2011 (January 1 to September 30, 2011)
Net sales		252,556		270,458
Cost of sales		54,918		55,583
Gross profit		197,637		214,874
Selling, general and administrative expenses	※1	153,435	※1	166,704
Operating income		44,202		48,170
Non-operating income				
Interest income		54		56
Dividends income		90		136
Foreign exchange gains		—		200
Equity in earnings of affiliates		266		480
Hoard gain of prepaid card		218		—
Other		329		416
Total non-operating income		960		1,290
Non-operating expenses				
Interest expenses		1,217		1,223
Foreign exchange losses		30		—
Commission fee		353		1,196
Other		445		260
Total non-operating expenses		2,046		2,680
Ordinary income		43,115		46,780
Extraordinary income				
Gain on step acquisitions		1,700		—
Gain on change in equity interest		—		173
Reversal of reserve for financial products transaction liabilities		763		125
Gain on sales of subsidiaries and Investments in affiliated companies		—		355
Other		382		8
Total extraordinary income		2,847		663
Extraordinary loss				
Impairment loss		152		—
Loss on disaster		—	※2	1,712
Loss on investment		1,866		—
Restructuring loss		—	※3	76,487
Loss on bad debts		—	※4	2,174
Other		921		1,872
Total extraordinary losses		2,940		82,248
Income (loss) before income taxes and minority interests		43,022		(34,804)
Income taxes-current		17,876		5,297
Income taxes-deferred		(1,929)		(22,393)
Total income taxes		15,946		(17,096)
Loss before minority interests		—		(17,708)
Minority interests in income		617		861
Net income (loss)		26,459		(18,569)

For the three months ended September 30, 2010 and 2011

(Millions of yen)

	Three months ended September 30, 2010 (July 1 to September 30, 2010)		Three months ended September 30, 2011 (July 1 to September 30, 2011)	
Net sales		88,447		92,813
Cost of sales		19,339		19,432
Gross profit		69,108		73,380
Selling, general and administrative expenses	※1	53,153	※1	54,421
Operating income		15,954		18,958
Non-operating income				
Interest income		8		33
Dividends income		―		2
Equity in earnings of affiliates		121		153
Foreign exchange gains		―		236
Hoard gain of prepaid card		74		―
Other		76		83
Total non-operating income		281		508
Non-operating expenses				
Interest expenses		429		492
Foreign exchange losses		106		―
Commission fee		15		1,104
Other		108		107
Total non-operating expenses		659		1,704
Ordinary income		15,576		17,762
Extraordinary income				
Other		―		4
Total extraordinary income		―		4
Extraordinary loss				
Loss on disposal of fixed assets		―		287
Loss on valuation of investments		105		―
Restructuring loss		―	※2	548
Cancellation fee		96		―
Other		34		32
Total extraordinary losses		236		867
Income before income taxes and minority interests		15,340		16,899
Income taxes-current		6,821		1,766
Income taxes-deferred		(850)		(8,564)
Total income taxes		5,970		(6,798)
Loss before minority interests		―		23,698
Minority interests in income		64		921
Net income		9,304		22,776

(2) Consolidated Statements of Cash Flows

For the nine months ended September 30, 2010 and 2011

(Millions of yen)

	Nine months ended September 30, 2010 (January 1 to September 30, 2010)	Nine months ended September 30, 2011 (January 1 to September 30, 2011)
Net cash provided by (used in) operating activities		
Income (loss) before income taxes and minority interests	43,022	(34,804)
Depreciation and amortization	12,144	12,483
Amortization of goodwill	5,176	5,676
Increase (decrease) in allowance for doubtful accounts	(6,145)	574
Increase (decrease) in loss on interest repayment	(2,925)	(1,161)
Loss (gain) on valuation of securities for banking business	2,447	2,207
Loss (gain) on sales of securities for banking business	(78)	—
Restructuring loss	—	76,487
Other loss (gain)	5,091	4,489
Decrease (increase) in notes and accounts receivable-trade	804	2,596
Decrease (increase) in accounts receivable-installment	(18,222)	35,457
Decrease (increase) in beneficial interests in securitized assets	1,394	(61,712)
Decrease (increase) in operating loan receivables	1,886	20,969
Increase (decrease) in notes and accounts payable-trade	(3,695)	3,291
Increase (decrease) in accounts payable-other and accrued expenses	(4,278)	—
Increase (decrease) in deposits for banking business	1,009	4,999
Decrease (increase) in call loans for bank business	(27,000)	(7,000)
Decrease (increase) in loans and bills discounted for banking business	(16,633)	(24,462)
Decrease (increase) in operating receivables for securities business	(3,091)	22,266
Increase (decrease) in operating payables for securities business	(33,943)	(29,556)
Increase (decrease) in payable secured by securities for securities business	23,384	8,542
Other, net	1,045	(6,430)
Subtotal	(18,608)	34,914
Payments for guarantee deposits for business operation	(4,568)	(391)
Proceeds from guarantee deposits for business operation	3,293	1,688
Income taxes paid	(20,491)	(22,157)
Payments for business restructuring	—	(655)
Other, net	(200)	—
Net cash provided by (used in) operating activities	(40,575)	13,399

Net cash provided by (used in) investing activities		
Payments into time deposits	(5,493)	(6,410)
Proceeds from withdrawal of time deposits	3,156	4,207
Acquisition of securities for banking business	(276,875)	(295,391)
Proceeds from sales and redemption of securities for banking business	293,166	356,583
Purchase of property, plant and equipment	(4,225)	(2,880)
Purchase of intangible assets	(10,955)	(11,283)
Proceeds from partial payment due to share purchase demand	8,875	―
Acquisition of subsidiaries	(18,825)	(6,565)
Acquisition of subsidiaries resulting in change in scope of consolidation	(40,136)	(1,678)
Proceeds from acquisition of subsidiaries resulting in change in the scope of consolidation	7,038	―
Proceeds from sales of subsidiaries resulting in change in scope of consolidation	―	16,548
Other payments	(3,565)	(7,233)
Other proceeds	1,611	1,230
Interest and dividends income received	599	392
Net cash provided by (used in) investing activities	(45,628)	47,518
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	57,153	15,623
Increase (decrease) in commercial papers	30,700	(20,900)
Proceeds from long-term loans payable	76,275	135,350
Repayment of long-term loans payable	(61,068)	(96,260)
Proceeds from issuance of bonds payable	1,400	―
Redemption of bonds payable	(6,280)	(2,800)
Purchase of treasury stock of subsidiaries	(41)	―
Purchase of preferred stock of subsidiaries	―	(5,000)
Proceeds from stock issuance to minority shareholders	67	1,413
Interest expenses paid	(1,183)	(1,047)
Cash dividends paid	(1,312)	(2,628)
Cash dividends paid to minority shareholders	(292)	―
Other, net	(377)	(2,222)
Net cash provided by (used in) financing activities	95,038	21,526
Effect of exchange rate change on cash and cash equivalents	(456)	(996)
Net increase (decrease) in cash and cash equivalents	8,377	81,448
Cash and cash equivalents at beginning of period	103,618	100,736
Increase in cash and cash equivalents from newly consolidated subsidiary	727	898
Cash and cash equivalents at end of period	112,723	183,083

(4) Business Segment Information

For the nine months ended September 30, 2010 (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, 2010 (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

Segment Overview

The Rakuten Group is an integrated Internet service group with two core business areas: Internet Services and Internet Finance.

Since the first quarter of the fiscal year ending December 31, 2011, we have applied the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Statement No.17, March 27, 2009) and the Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Guidance No.20, March 21, 2008). In accordance with this standard, we have identified three reporting segments: Internet Services, Internet Finance and Others. These segments represent the constituent units of the Rakuten Group for which we are able to obtain specific financial data. This segment information will be regularly reviewed as the basis for the assessment of business performance, and for decisions by the Board of Directors concerning the allocation of management resources. The composition of each segment is as described below.

Internet Services

Activities in this segment consist of the operation of e-commerce sites, including the Rakuten Ichiba Internet shopping mall, travel sites, portal sites and other sites, as well as activities based on these sites, such as advertising and content.

Internet Finance

Activities in this segment involve the provision banking and securities services via the Internet, credit card services, e-money services and other services.

Others

This segment consists of the provision of IP telephony services and the management of a professional baseball team.

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

(Millions of Yen)

	Reporting Segment				Adjustment (Note 1)	Amount shown in quarterly consolidated income statements (Note 2)
	Internet Services	Internet Finance	Others	Total		
Sales	153,820	107,030	26,604	287,455	(16,996)	270,458
Segment Operating Income	44,969	8,089	1,380	54,440	(6,270)	48,170

Notes

1. The ¥6,270 million adjustment to segment income or losses consist mainly of a figure of ¥5,636million for goodwill amortization that has not been allocated to the reporting segments, and ¥1,016million for the elimination of internal transactions.
2. Segment income or losses are reconciled to operating income in the quarterly income statements.

For the three months ended September 30, 2011 (July 1 to September 30, 2011)

(Millions of Yen)

	Reporting Segment				Adjustment (Note 1)	Amount shown in quarterly consolidated income statements (Note 2)
	Internet Services	Internet Finance	Others	Total		
Sales	54,386	35,159	9,901	99,456	(6,642)	92,813
Segment Operating Income	16,426	3,771	1,213	21,411	(2,452)	18,958

Notes

1. The ¥2,452 million adjustment to segment income or losses consist mainly of a figure of ¥1,861 million for goodwill amortization that has not been allocated to the reporting segments, and ¥228 million for the elimination of internal transactions.
2. Segment income or losses are reconciled to operating income in the quarterly income statements.

Note to the Consolidated Income Statements

(Millions of yen)

For the nine months ended September 30, 2010 (From January 1 to September 30, 2010)	**For the nine months ended September 30, 2011** (From January 1 to September 30, 2011)
*1 The breakdown of selling, general and administrative expenses is as follows. Point costs 7,729 Advertisement and promotion expenses 18,897 Personnel expenses 34,327 Provision for bonuses 4,283 Depreciation 11,057 Communications and maintenance expenses 10,907 Consignment and subcontract expenses 18,511 Provision of allowance for doubtful accounts 12,728	*1 The breakdown of selling, general and administrative expenses is as follows. Point costs 7,890 Advertisement and promotion expenses 22,405 Personnel expenses 37,240 Provision for bonuses 4,600 Depreciation 11,555 Communications and maintenance expenses 11,006 Consignment and subcontract expenses 18,493 Provision of allowance for doubtful accounts 11,876 Loss on interest repayments 4,264
―――――――――――	*2 The effects of the Great East Japan Earthquake are shown as loss on disaster. They consist of the following items. Provision for doubtful accounts, etc 783 Donations, etc 308 Repair-related expenses 263 Other items 358 Total 1,712
―――――――――――	*3 The effects of losses from the credit card business reorganization are shown as business restructuring losses. They consist of the following items. Allowance for business transfer loss 48,861 Impairment loss (*) 14,230 Expenses for doubtful accounts 11,870 Other items 1,525 Total 76,487 (*) Impairment of goodwill in the consolidated financial statements for the former Rakuten KC
―――――――――――	*4 These figures include losses on doubtful accounts resulting from the payment of substantial advances to cover shortfalls in customers' settlement funds as a result of price movements after the Great East Japan Earthquake, and provision for doubtful accounts.

(Millions of yen)

For the three months ended September 30, 2010 (From July 1, 2010 to September 30, 2010)	**For the three months ended September 30, 2011** (From July 1, 2011 to September 30, 2011)
*1 The breakdown of selling, general and administrative expenses is as follows.	*1 The breakdown of selling, general and administrative expenses is as follows.

For the three months ended September 30, 2010		For the three months ended September 30, 2011	
Point costs	2,537	Point costs	2,621
Advertisement and promotion expenses	6,827	Advertisement and promotion expenses	7,865
Personnel expenses	11,625	Personnel expenses	11,939
Provision for bonuses	2,068	Provision for bonuses	2,174
Depreciation	3,983	Depreciation	3,920
Communications and maintenance expenses	3,717	Communications and maintenance Expenses	3,589
Outsourcing expenses	6,469	Outsourcing expenses	6,469
Expenses for doubtful accounts	3,869	Expenses for doubtful accounts	2,873

For the three months ended September 30, 2010: ―――――――

For the three months ended September 30, 2011:

*2 The effects of losses from the credit card business reorganization are shown as business restructuring losses. They consist of the following items.

Allowance for business transfer loss	461
Other items	86
Total	548

(Note) Significant Subsequent Events
For the three months period ended September 30, 2011 (July 1 to September 30, 2011)

Acquisition of Shares in Kobo Inc.

At an extraordinary meeting on November 9, 2011, the Board of Directors approved a resolution to acquire the shares of Kobo Inc. (Toronto, Canada), a company that operates an e-books business in numerous countries throughout the world, for the purpose of making Kobo a subsidiary.

1) Name and business description of company acquired, major reasons for business combination, effective date of business combination, legal form of business combination, name of business after combination, number of shares acquired, and percentage of voting rights

①Name of company acquired: Kobo Inc.
②Business description: Sales and related activities of electronic readers and contents
③Reasons for combination:

Among its full-fledged ventures towards the eBook era that will be shortly upon us, Rakuten, by making Kobo into a wholly owned subsidiary, will not only obtain the eBook reader product line under the Kobo eReader brand; it will also acquire a network, focused on North America and Europe, of rights holders including overseas publishers, retail vendors for the sale of specialty terminals, and original design manufacturers (ODMs). In addition, the Kobo acquisition will lead to further growth and business expansion, and we plan to merge the company with e-commerce Business of the Rakuten Group, which is undertaking worldwide expansion. With this action, the Rakuten Group aims to provide digital content and new e-commerce transaction services compatible with a variety of mobile devices to users throughout the world.
④Effective date: First quarter of fiscal year ending December 31, 2012 (projected)
(Subject to approval by Canadian government)
⑤Legal form of combination: Acquisition of shares
⑥Name of business after combination: No change

(2) Detailed Statement of Acquisition Costs
Consideration in share acquisition: maximum US$315 million
* The funds for consideration are expected to be borrowed from financial institutions.