# Fiscal Year 2010
# Third Quarter Financial Results

November 9, 2010
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.**

# Agenda

Rakuten

## 1 Results of FY2010 Third Quarter

## 2 Operating Results of Key Businesses

1. Rakuten Ichiba Business
2. Global E-Commerce Business
3. Travel Business
4. Credit Card Business
5. Banking Business
6. E-money Business
7. Securities Business

## Appendix

- Financial Condition
- Other Information



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- **Well-balanced and diversified business portfolio to maximize value per customer**
- **Focus on stickiness of services through synergies**
- **Strong operational and innovative capabilities**
- **High potential R&D (Rakuten IT)**
- **Enhancing expertise in mobile and smart phone technologies**
- **E-commerce focusing on “social shopping” ”verticals” “flash marketing” and “logistics”**



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# 1 Results of FY2010 Third Quarter



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# Key Highlights of 2010/Q3 (1)

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**Record High Sales, Operating Profit, Ordinary Profit and EBITDA for the Third Quarter**

- Proforma* OP : JPY17.7bn, +9.4% YoY
- Proforma* EBITDA : JPY24.0bn, +10.0% YoY
- Group gross transaction volume reached JPY682.8bn

*Adjusted CMBS loss

**Domestic Businesses Continued Healthy Growth**

- GMS growth of Ichiba reached +16.3% YoY despite late start of winter items and swine flu factor
- Travel and Portal & Media segments achieved high OP growth, +20.0% YoY and +54.9% YoY, respectively



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# Key Highlights of 2010/Q3 (2)

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## Global Expansion of E-Commerce

- China business started in good form
- Completed acquisitions of Buy.com and PriceMinister
  - At both companies GMS grew strongly and profitability improved

## Credit Card Business Regained Profit Growth Momentum

- Progressed in business model transformation to credit card shopping oriented business
- OP Growth : +20.8% YoY



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# Summary of Q3/10 Financial Results

Rakuten

(JPY bn)

| | Q3/09（Jul-Sep) | Q3/10 （Jul-Sep) | |
|---|---|---|---|
| | Proforma*1 | Proforma*1 | YoY |
| **Sales** | 77.2 | 88.4 | 14.5% |
| **Operating Profit** | 16.2 | 17.7 | 9.4% |
| **Operating Profit Margin** | 21.0% | 20.1% | - |
| **Ordinary Profit** | 15.9 | 17.3 | 8.7% |
| **EBITDA*2** | 21.9 | 24.0 | 10.0% |

*1 : Proforma figures are based on adjustment for CMBS loss
Non-adjusted (JGAAP) figures in Q3/10 : Operating profit JPY 15.9bn, Ordinary profit JPY15.5bn, EBITDA JPY 22.3bn

*2 : EBITDA = Ordinary Profit + Interest expense + Depreciation and Amortization of goodwill - Effect of securitizing loan receivables



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# Q3/10 Results by Business Category

(JPY bn)

| | | | Q3/09 (Jul-Sep) | | | Q3/10 (Jul-Sep) | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Sales | EBITDA*1 | EBITDA Margin | Sales | YoY | EBITDA*1 | YoY | EBITDA Margin |
| **Internet Services** | E-Commerce Travel Portal and Media | Net*2 | 36.5 | 13.1 | 35.9% | **45.6** | 24.8% | **14.8** | 12.8% | 32.5% |
| | | Gross (accounting) | 41.6 | 13.1 | 31.5% | **51.6** | 24.1% | **14.8** | 12.8% | 28.7% |
| **Internet Finance** | Credit Card Banking Securities E-Money*3 | | 29.5 | 5.4 | 18.3% | **32.5** | 10.2% | **4.4** | -18.4% | 13.6% |
| **Others** | Telecommunication Professional sports | | 9.8 | 1.1 | 11.7% | **8.8** | -9.8% | **1.1** | 3.8% | 13.4% |
| **Corporate and Internal elimination** | | | -3.7 | 1.2 | - | **-4.5** | - | **1.8** | - | - |

*1: EBITDA=Ordinary Profit +Interest expense + Depreciation and Amortization of goodwill-Effect of securitizing loan receivables

*2 Reference: Calculated based on Gross Profit for Package Media (inventory-type business).

*3: Started consolidation with bitWallet, Inc. in 2010 Q1



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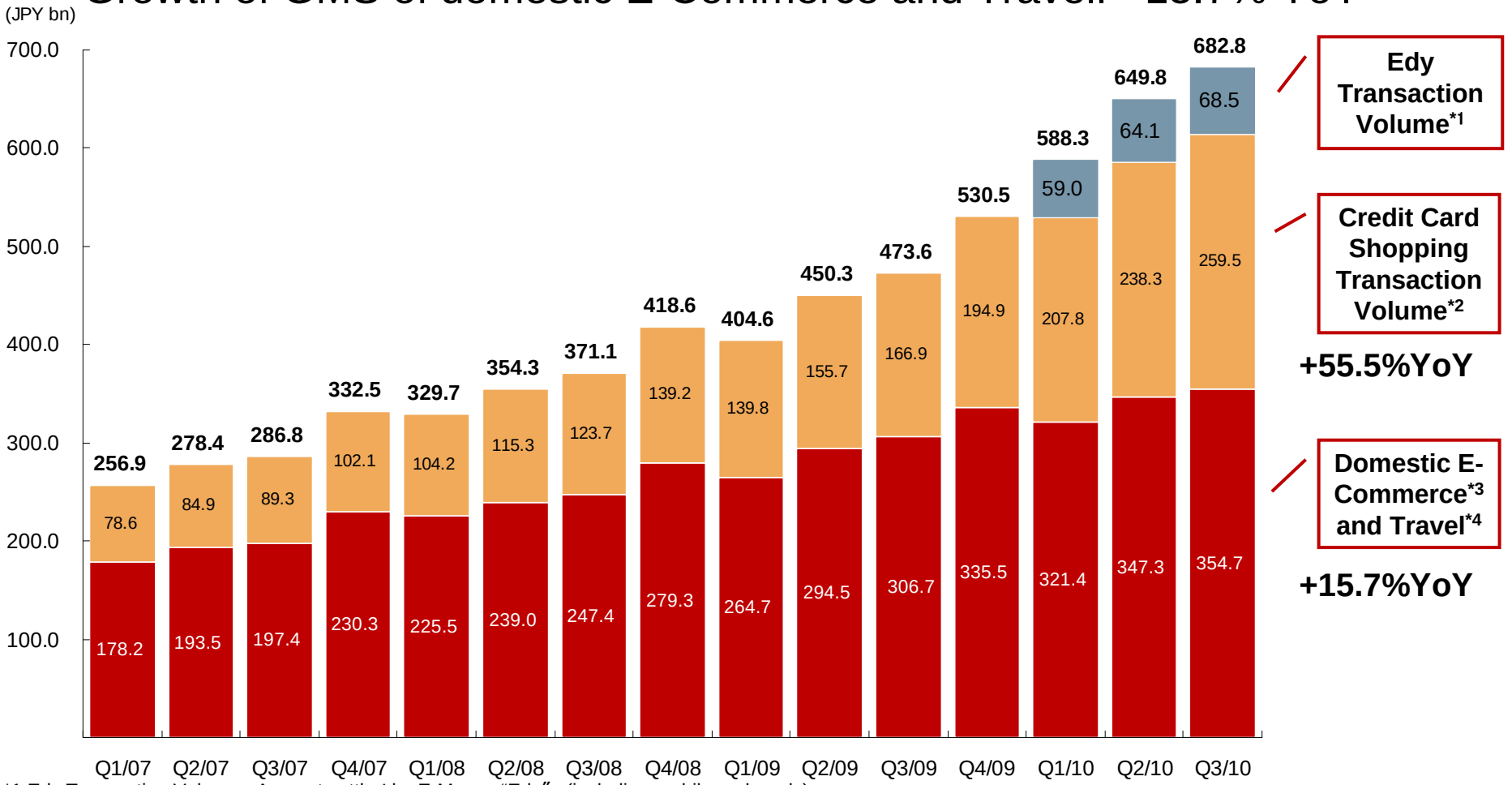
# Group Gross Transaction Volume (Incl. Credit Card and E-Money)

Rakuten

## Growth of GMS of domestic E-Commerce and Travel: +15.7% YoY




*1:Edy Transaction Volume= Amount settled by E-Money "Edy" (including mobile and cards)

*2:Credit Card Shopping Transaction Volume= Shopping Transaction Volume of credit cards issued by Rakuten KC (including Rakuten group service use)

*3: Domestic E-Commerce =Mall (Fixed-price, Group purchase), Mobile, Business, Golf, Books, Auction (Flea market), download, tickets, Internet Supermarket, Check Out, Off-track betting, toto(Q1/09-) *5, ShowTime (Q1/09-) *5, Media rental (Q1/08-) *5

*4:Travel (before cancellation, excl. tax) = Domestic/international accommodation booking, International air tickets, Domestic/international dynamic packaging, Domestic bus service, Rental car service

*5 Retroactively added to GMS since service start



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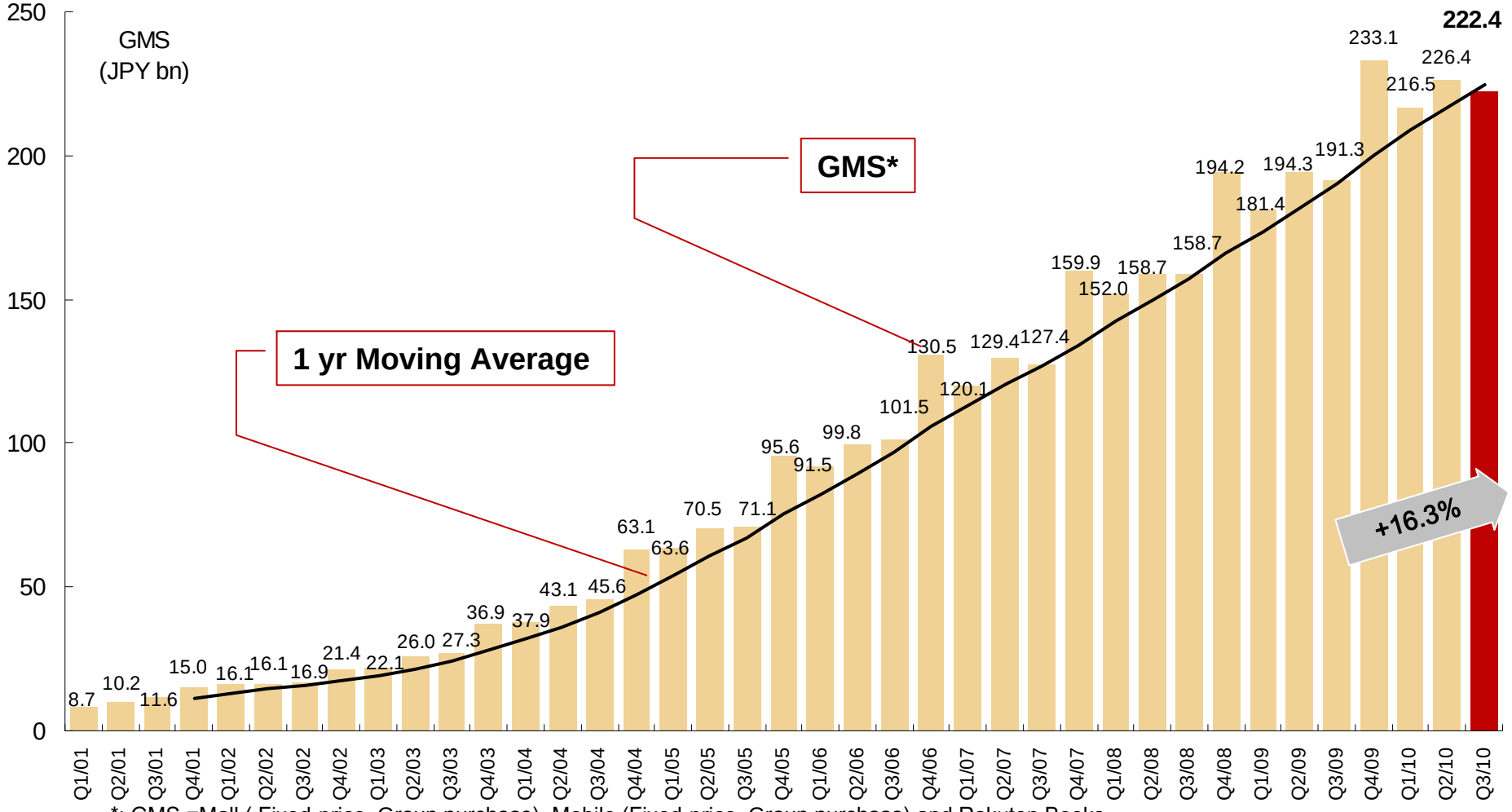
# GMS ( Rakuten Ichiba and Rakuten Books)

- Growth of GMS : +16.3% YoY, despite late start of winter items and “swine flu” factor
- Rate of growth became higher in October than Q3




*: GMS =Mall ( Fixed-price, Group purchase), Mobile (Fixed-price, Group purchase) and Rakuten Books



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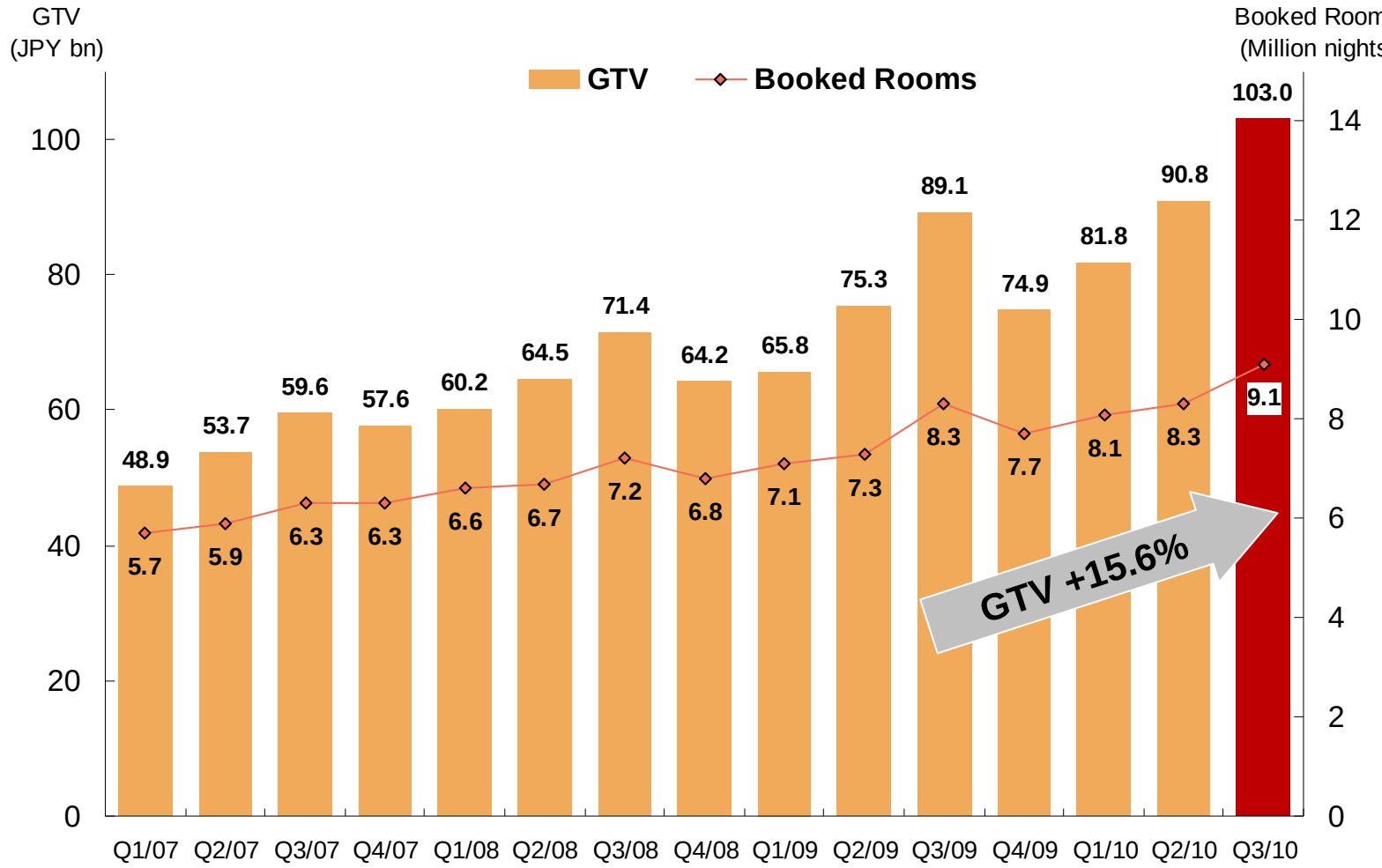
# Travel Business
# Gross Booking Transaction Volume

- Despite lacking string of consecutive holidays, strong summer demand with successful campaigns led to higher Travel GTV* Growth: +15.6% YoY




* Travel GTV = Booking base (before cancellation , excl. tax)
= Domestic / International accommodation booking, International air tickets, Domestic/ International DP, Domestic bus, Rental car service



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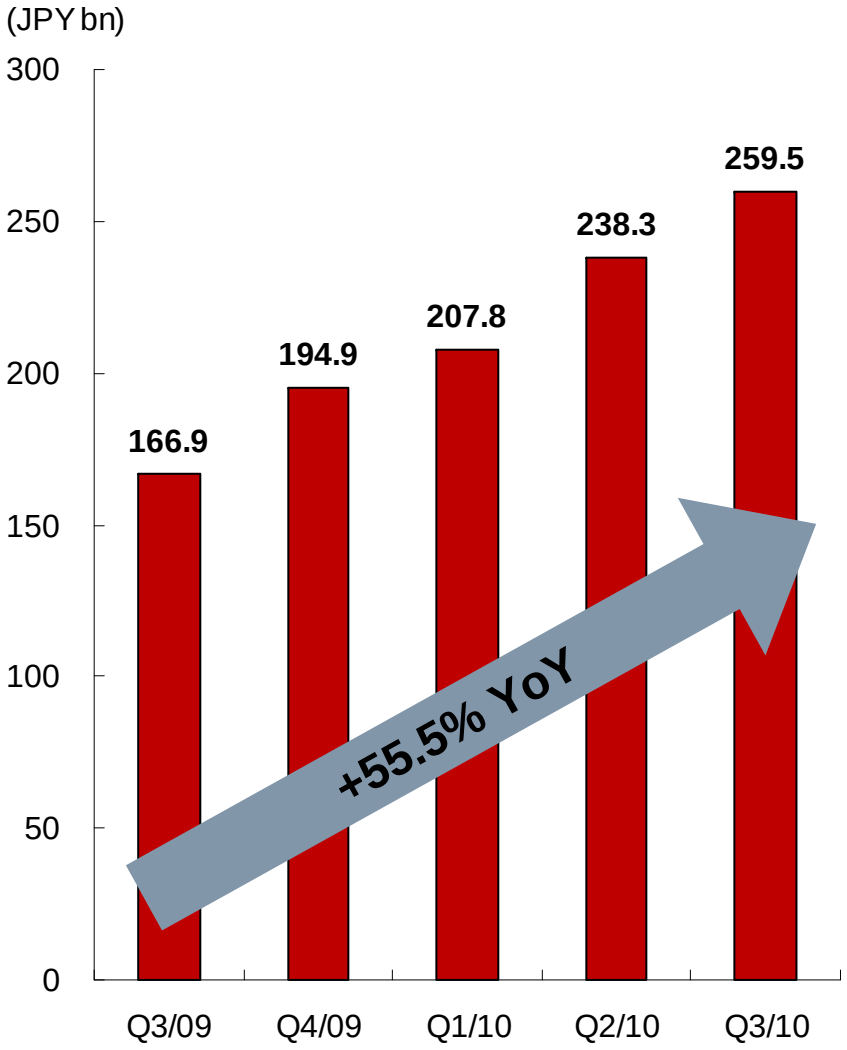
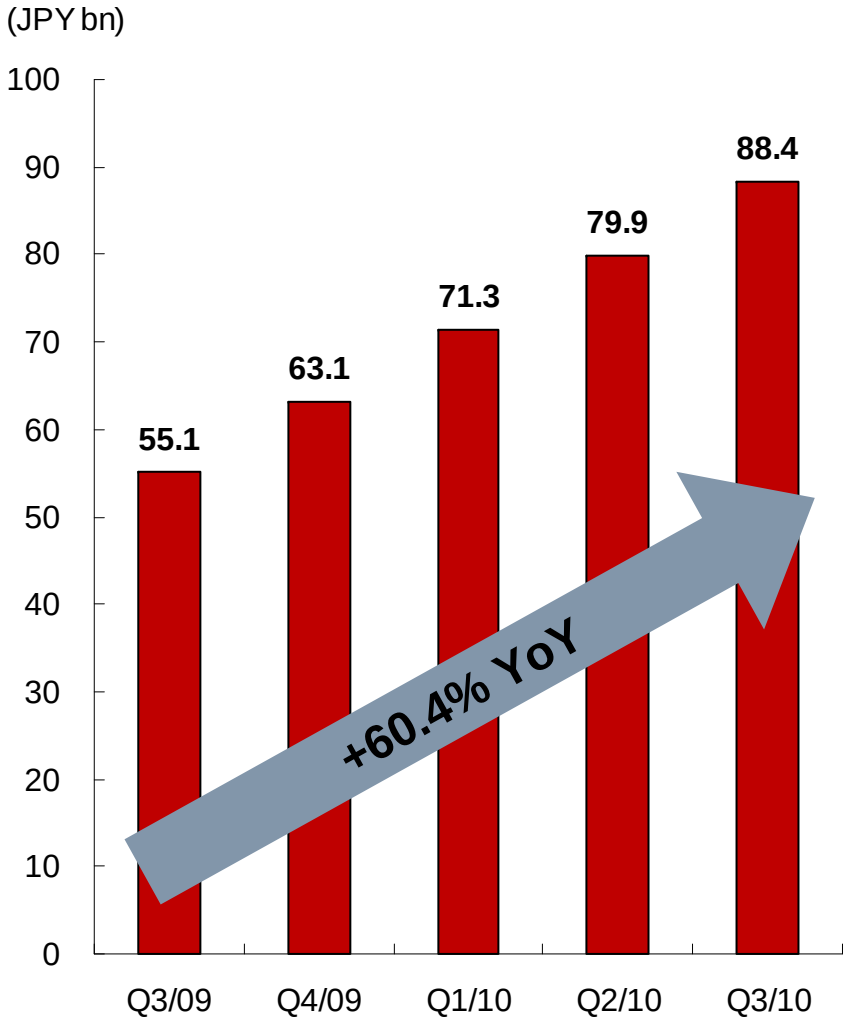
# Rakuten KC
# Shopping Transaction, Revolving Balance

## Shopping Transaction Volume




## Shopping Revolving Balance



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# Transaction Volume of E-Money settlement

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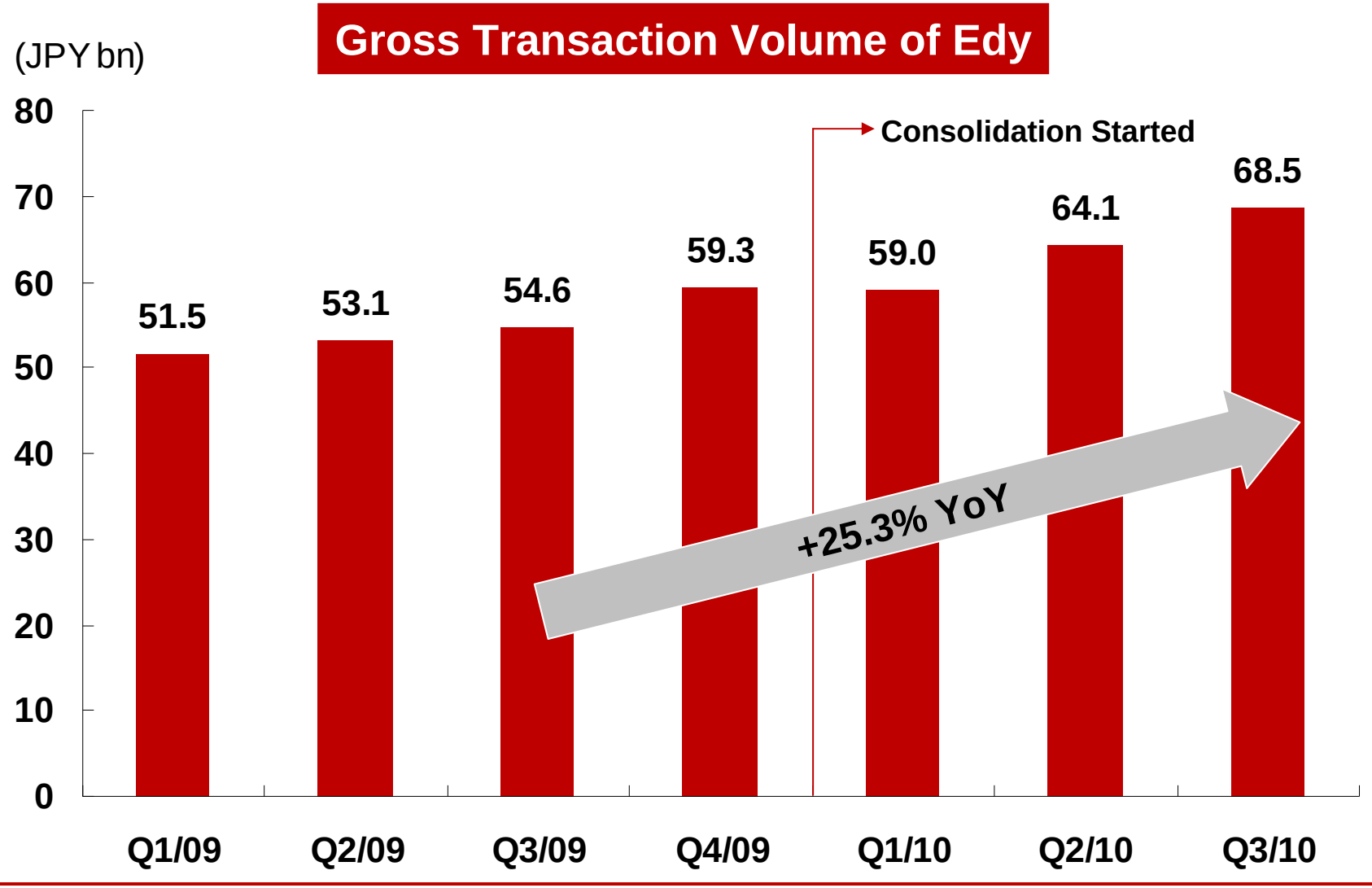
- GTV Growth :+25.3% YoY



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## Strategy for improving profitability

1. Improve company-wide efficiency
2. Reassess unprofitable businesses and projects
3. Cut overhead costs
4. Focus on effective marketing



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# 2 Operating Results of Key Businesses

1. Rakuten Ichiba Business
2. Global E-Commerce Business
3. Travel Business
4. Credit Card Business
5. Banking Business
6. E-money Business
7. Securities Business



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# 2 -1 Rakuten Ichiba Business



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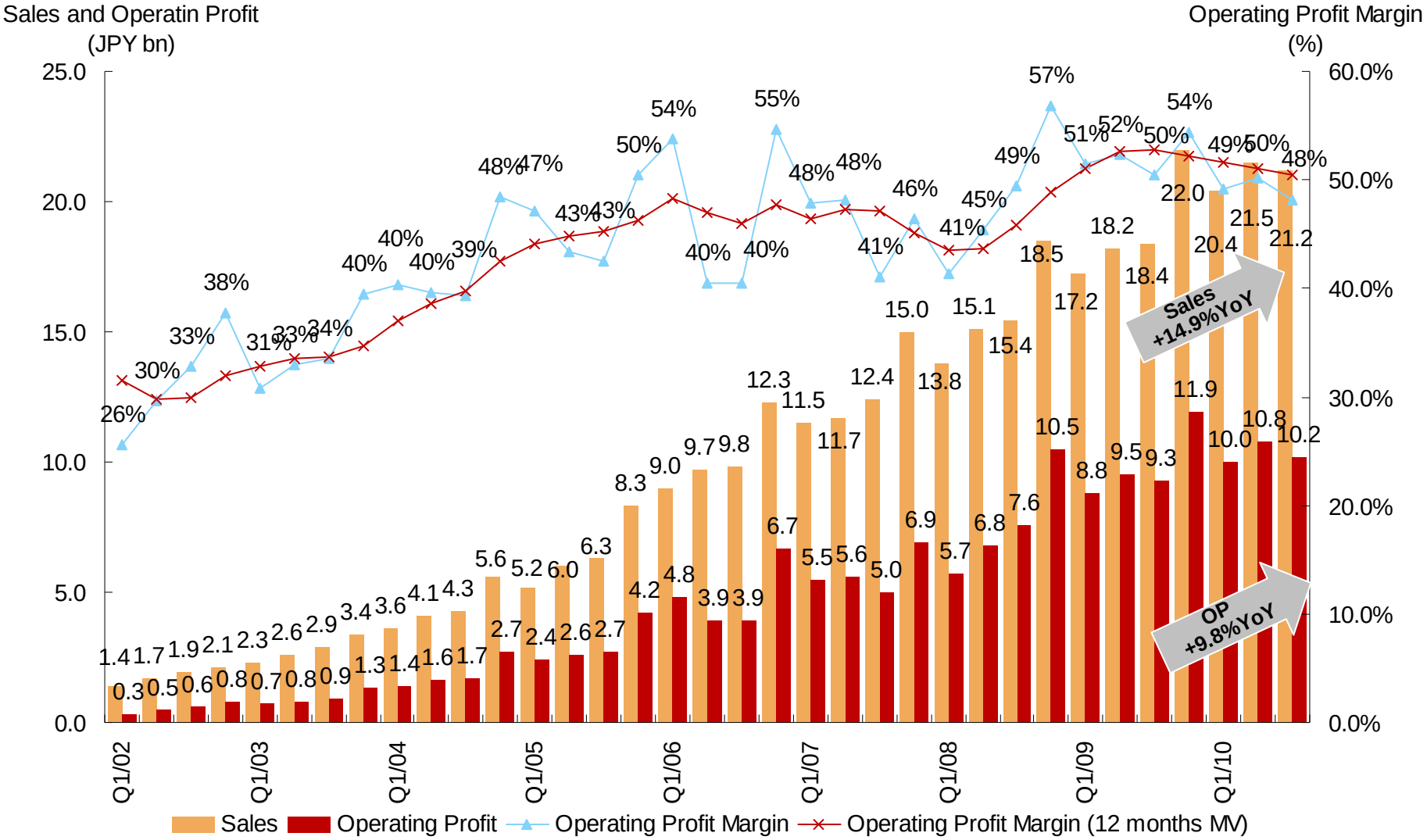
# Rakuten Ichiba* Quarterly Results

Rakuten

## Sales Growth: +14.9% YoY, Operating Profit Growth: +9.8% YoY




*: From Q1/02 to Q4/04, financial data of Rakuten, Inc. excluded Portal and Media businesses



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# Rakuten Ichiba Buyer Metrics*1

Rakuten

- Unique Buyers Growth: +18.6% YoY

| | Q3/08 | Q4/08 | Q1/09 | Q2/09 | Q3/09 | Q4/09 | Q1/10 | Q2/10 | Q3/10 |
|---|---|---|---|---|---|---|---|---|---|
| Unique Buyers*2 (million) | 6.37 | 7.03 | 7.17 | 7.72 | 7.75 | 8.54 | 8.60 | 9.14 | 9.19 |
| # of Transactions (million) | 20.65 | 24.19 | 24.05 | 27.11 | 26.43 | 31.02 | 30.27 | 33.26 | 32.92 |
| Average # of Transactions per Buyer | 3.24 | 3.43 | 3.35 | 3.50 | 3.41 | 3.63 | 3.51 | 3.63 | 3.58 |
| Average Price per Transaction (JPY) | 7,505 | 7,843 | 7,346 | 6,970 | 6,998 | 7,267 | 6,908 | 6,585 | 6,503 |
| Quarterly GMS per Buyer*3 (JPY) | 24,327 | 26,969 | 24,637 | 24,449 | 23,868 | 26,390 | 24,291 | 23,940 | 23,291 |

*1: Based on e-mail address: Fixed-Price and Group Buy introduced in Rakuten Ichiba and mobile
*2: Unique Buyers: Number of buyers sorted by e-mail address with purchasing records during the listed 3 month period.
*3: Quarterly GMS Per Buyer = GMS ( Rakuten Ichiba) / Unique Buyers



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- **Unusual late start of winter items in August and September**
  - Items such as overcoats, boots, and heating devices were affected
- **Swine flu impact in previous year (JPY1.1 bn in Q3/09)**
- **Ongoing stable, high-paced growth in GMS**
  - In October, GMS growth became higher than Q3/10
- **Reasons of change in OP margin**
  - Increase in point costs due to strategic marketing campaign
  - Increase in costs such as administrative and development costs for domestic and global expansion



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## Focus on effective marketing

- Control point campaign and listing ads
- Diversify marketing methods

## Overhead cost control under Project V3

- Cost control against sales growth
- Reassess priority of development projects



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1. Expansion of product line-up
   - “Rakuten Product”, price comparison and review function based on type of products for multiple merchants
   - Increasing sign-ups from large-sized enterprises
   - Strengthening support for fashion brands

2. Diversify marketing methods
   - Rakupon, a new coupon service launched successfully
   - Flash marketing using twitter and e-mail
   - Private sales for loyal customers

3. RFC (Rakuten Fulfillment Center) opened

Rakuten Fulfillment Center

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# 2 -2 Global E-commerce Business



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# Deploy three different models according to market characteristics

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BtoBtoC Model
- Merchants support, contribution to local markets

PRICEMINISTER
l'Achat - Vente Garanti

Safe/Secure CtoC Model
- Escrow, Counterfeit items compensation

→ Effective for CtoC and/or in growing markets

Buy.com

1st Party Sales
- guaranteed product quality

→ Effective for emerging markets



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- Introduced Rakuten Shugi helping growth and improving profitability

- Buy.com
  - “Shop Together” a social shopping function well accepted
  - Alliances with large-scale companies progressing

- PriceMinister
  - Expanding E-Commerce business into countries other than France
  - Travel comparison site growing

- Held “Rakuten Federation Technical Meeting”
  - Multi-national collaboration on service and technology development



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- **Continued high growth of GMS**
  - Growth of GMS of Taiwan Rakuten Ichiba, Buy.com and PriceMinister achieved +20% to +35% YoY in Sep 2010

- **Improved profitability strongly**
  - Thanks to top-line growth and KPI management



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- **Improved efficiency significantly after implementation of Rakuten Shugi such as KPI management**
  - **Boosted profitability over 1.5 times from Q3/09 to Q3/10**
- **Enhanced service delivery and client satisfaction**
- **Faster development  of new features and technology offerings**
  - **Instituted agile technology development**



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# China: Lekutian at first look

Rakuten

## Merchant-oriented marketplace

- **Service started on October 19th with nearly 2,000 merchants**
- **Offering a wide range of goods**
  - **apparel, accessories, furniture, home electronics, digital equipment, baby goods, and cosmetics**
- **Various settlement methods are available**
- **“Genuine Only” mall with anti-counterfeit measures backed by expertise of PriceMinister in this area**
- **Localized functions such as messenger and escrow services offered by Lekutian and Baidu**



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# 2 -3 Travel Business



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# Travel Business Highlights of 2010/Q3

Rakuten

- **High growth of GTV**
  - GTV: +15.6% YoY Despite lacking consecutive holidays, summer demand and bookings grew steadily
- **Expansion of Dynamic Packages**
  - JAL RAKU PACK released (Sep 1)
    - Combination of about 900 flights and about 20,000 hotels is available
    - Wide variety of JAL routes including remote destinations
- **Usability enhancement and promotions for new users**
  - Accelerate enhancement of Smartphone usability
    - Travel Android Application (Aug 19)
    - iPhone Application “Tabimemo” (Sep 21)
  - Large-scale campaigns with hotels

* Dynamic Package: Package Reservations system which allows users to combine airline tickets and hotels of their choice.



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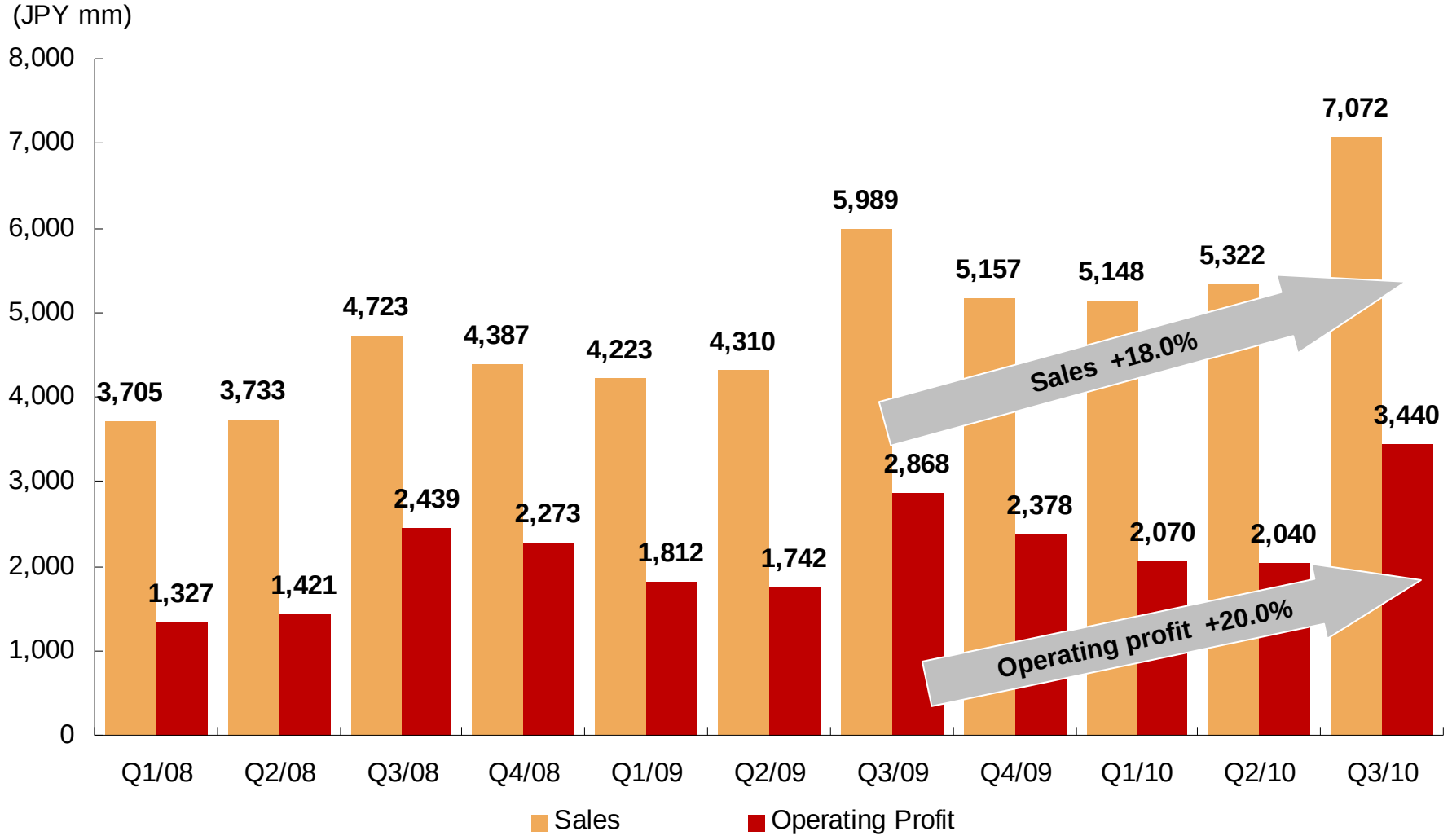
# Travel Business
# Quarterly Results

- Sales Growth: +18.0% YoY
- Operating Profit Growth: +20.0% YoY



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# Rakuten Travel
# Comparison of Gross Transaction Volume

(JPY bn)

| Company Name | GTV (Domestic) | YoY | GTV (Incl. International) | YoY |
|---|---|---|---|---|
| JTB Group | 218.1 | +3% | 346.8 | +9% |
| Kinki Nippon Tourist | 60.4 | +4% | 97.4 | +12% |
| Nippon Travel Agency | 56.7 | +1% | 87.2 | +11% |
| **Rakuten Travel** | **52.6** | **+21%** | **55.7** | **+22%** |
| ANA Sales | 37.2 | -2% | 42 | -1% |
| HANKYU TRAVEL INTERNATIONAL | 35.5 | +7% | 101.8 | +17% |
| H.I.S | 0.3 | - | 64.3 | +18% |

*Source: 20th August 2010, Nikkei, Data: Apr-Jun 2010



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# 2 -4 Credit Card Business



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# Rakuten KC Highlights of 2010/Q3

Rakuten

- **Progress in Business Model Transformation**
  - Card shopping transactions: +55.5% YoY
  - Shopping revolving balance: +60.4% YoY
  - Operating profit growth: +20.8% YoY
- **Customer Service Improved**
  - Added Edy function to Rakuten Card
  - Introduced iPhone application for card expenditure management, first of its kind in the credit card industry
- **Collection Performance**
  - Early stage collection absorbed the instability caused by a new regulation



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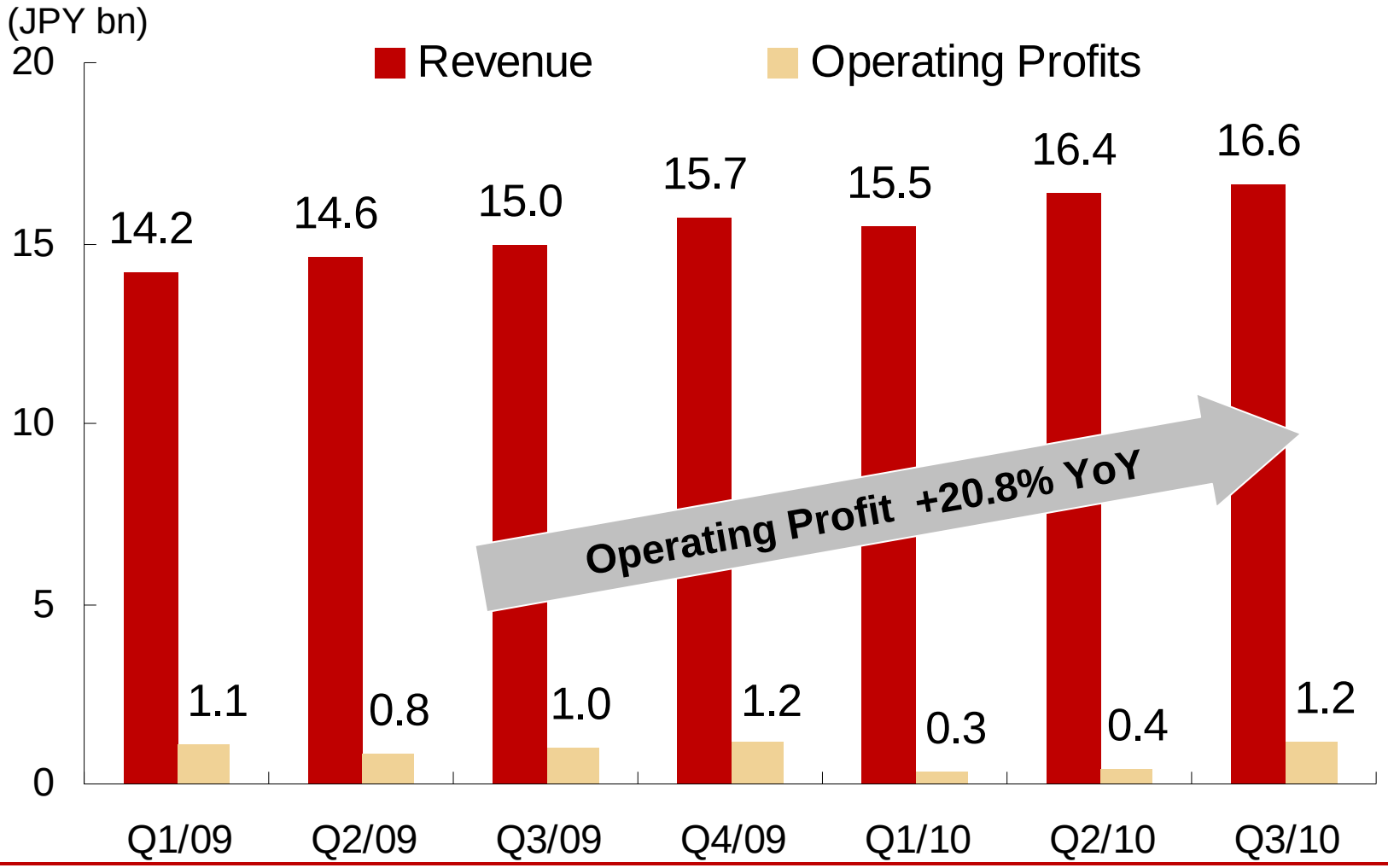
- Operating Profit Growth: +20.8%YoY Despite the drop of revenue from financing



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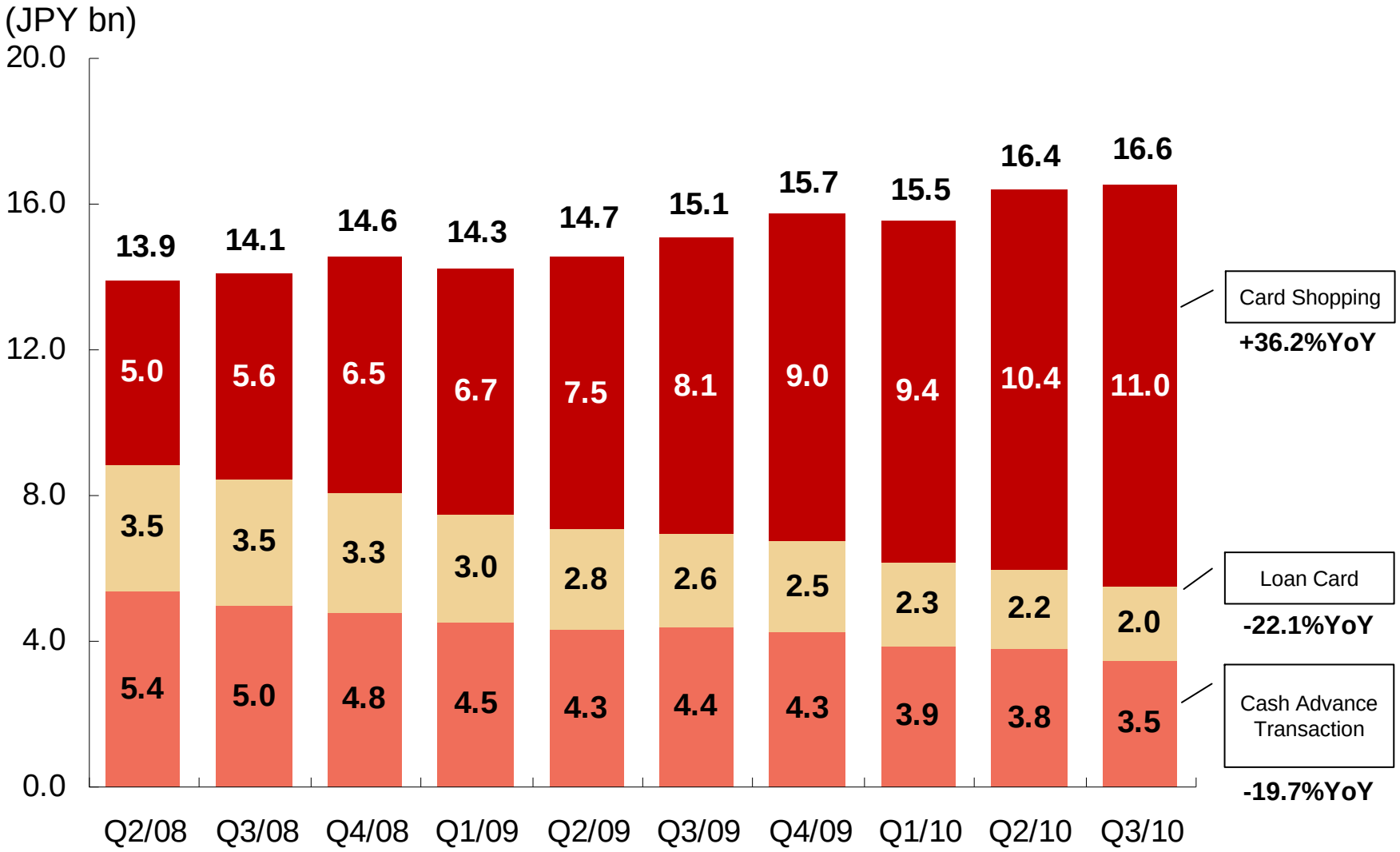
# Rakuten KC
# Change in the Composition of Quarterly Revenue

■ Revenue composition change continues at high pace.




*: Refer to appendix for the detail of revenue



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# 2 -5 Banking Business



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# Rakuten Bank Highlights of 2010/Q3

Rakuten

**■ Ongoing Ordinary Profit at Rakuten Bank**

- Ordinary Profit achieved despite impairment loss of CMBS (approx. JPY 1.8bn)
- Reduced Real Estate-backed Securities such as Private Funds and CMBS steadily

**■ Steady increase in "Basic profit*1" thanks to Group synergy**

- Members of Happy Program (ID link with Rakuten Member) exceeds 1.4m
- Basic profit*1 growth: +62.1% YoY, thanks to settlement income

**■ Healthy growth of loan business**

- Steady growth of loan assets for "Rakuten Bank Super Loan" : +13.6% YoY
- Decrease in allowance ratio

*:Basic profit = Income or loss deducted from income (loss) due to changes in market price or sales of investment products. Income or loss from main business of Rakuten Bank excludes temporary evaluation gains (losses) such as investment.



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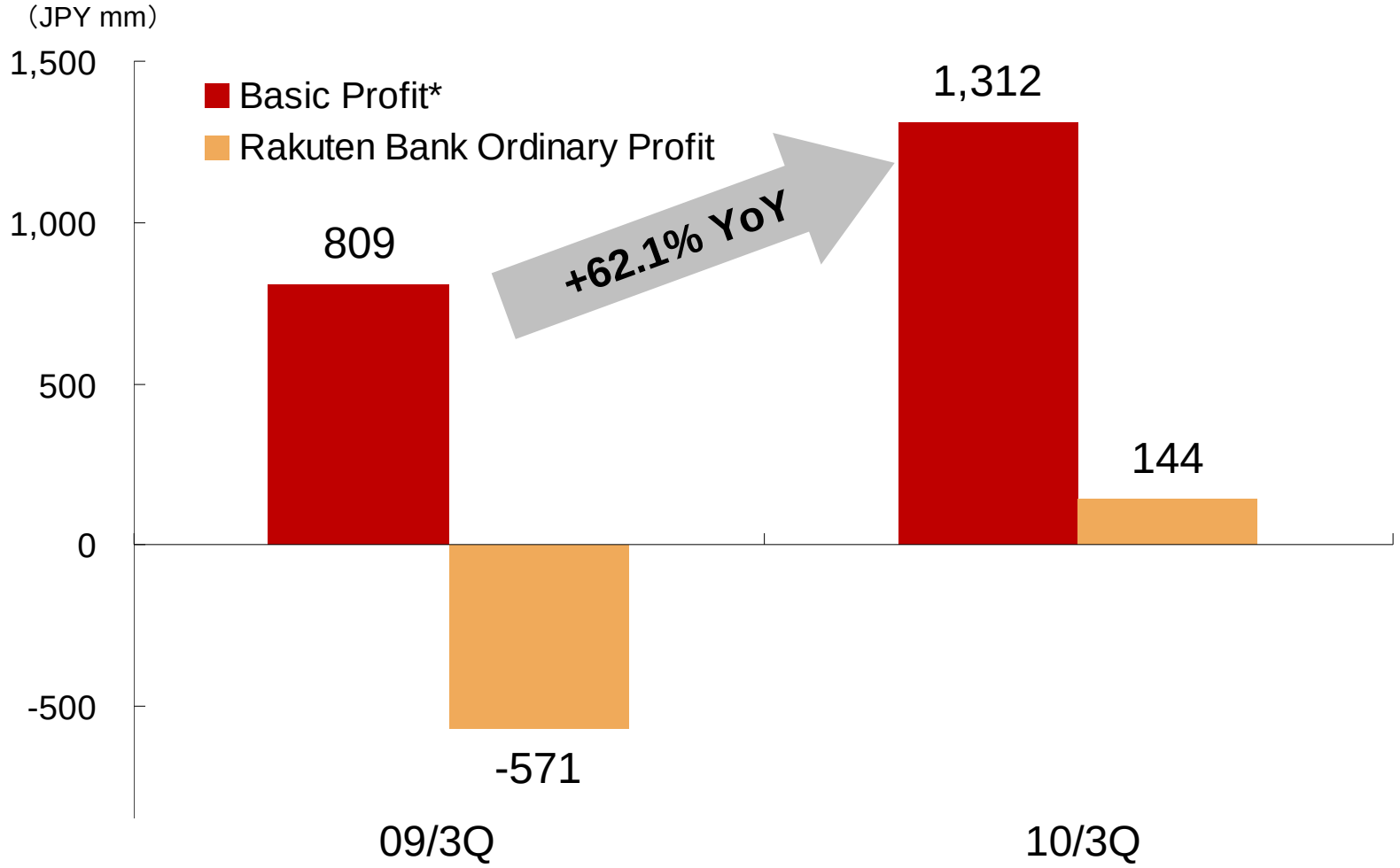
# Profit and Loss at Rakuten Bank

■Basic profit growth: +62.1% YoY　Ordinary Profit achieved despite impairment loss of CMBS

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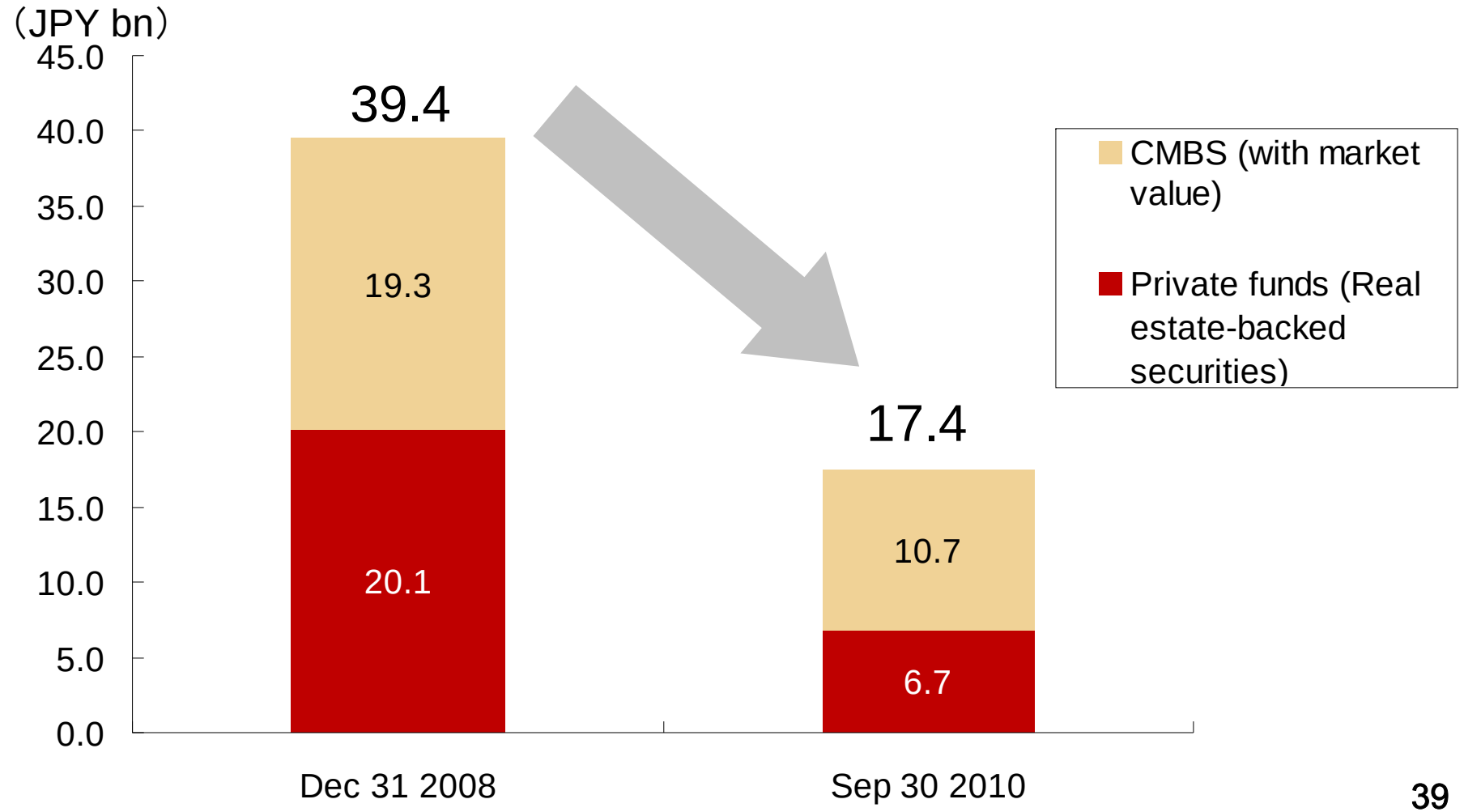
# Rakuten Bank
# Real Estate-backed Securities

■ Reduced Real Estate-backed Securities such as Private Funds and CMBS steadily



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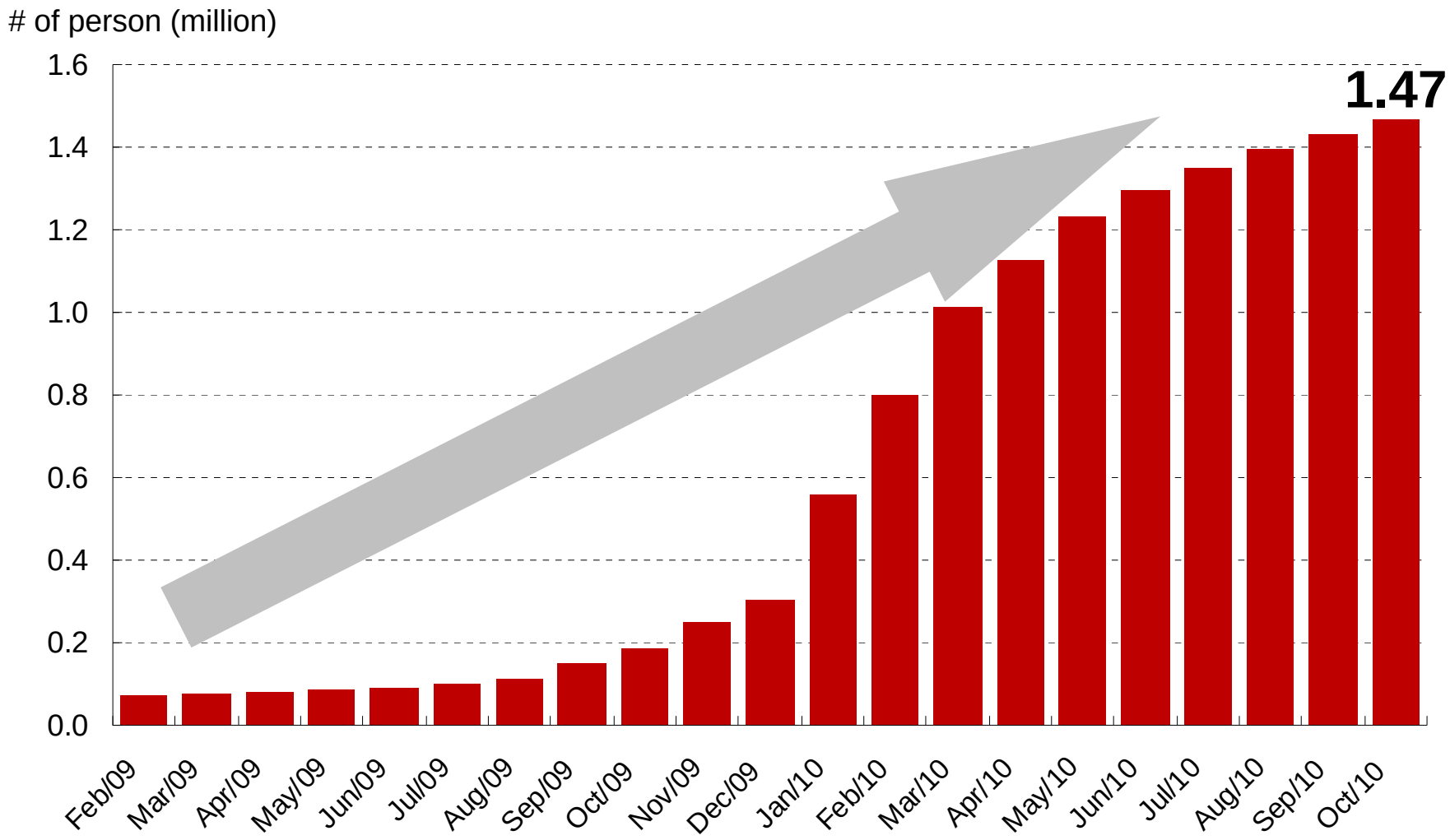
# Number of Happy Program Members (Loyalty Program Linked with Rakuten ID)

- Loyalty Program Members surpassed 1.4 million, increased usage by Rakuten members



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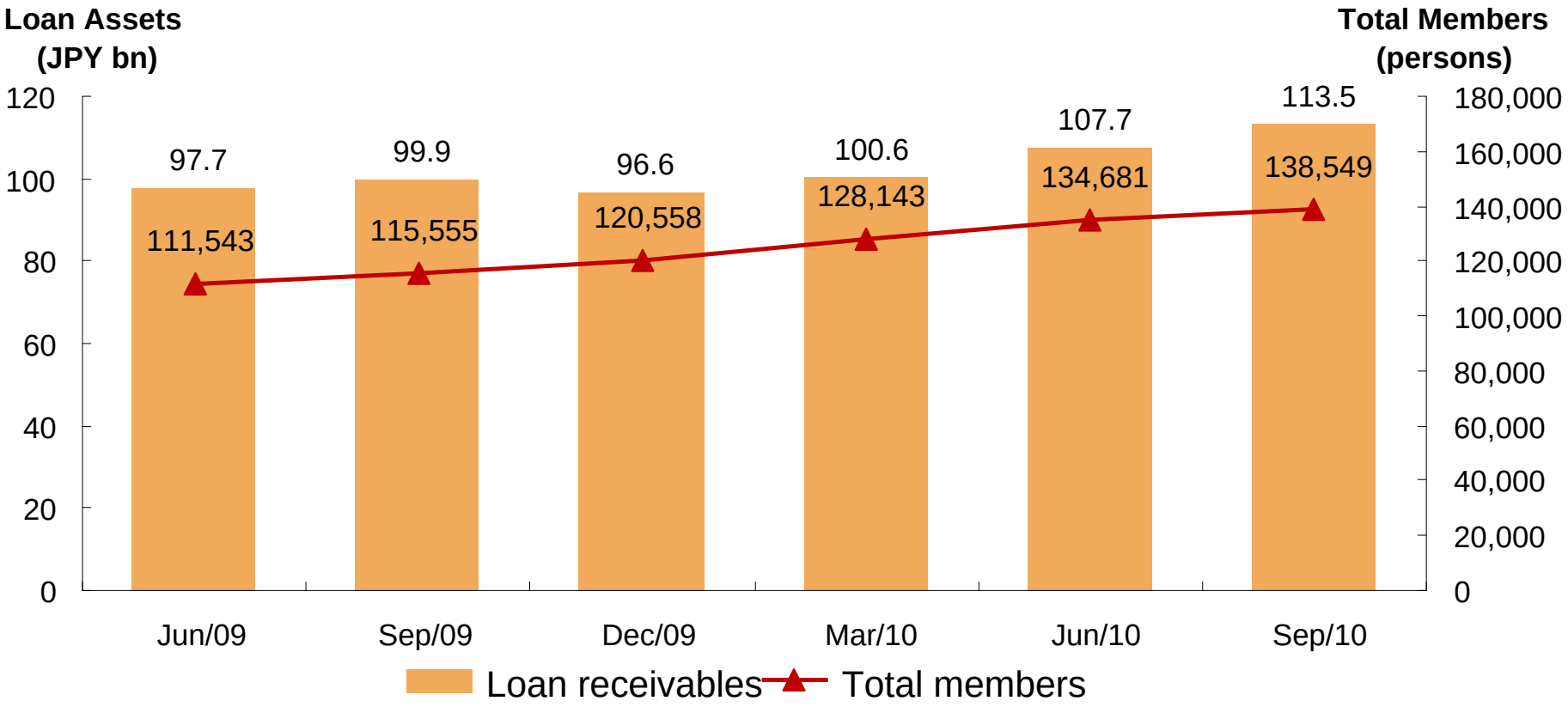
# “Rakuten Bank Super Loan” Trends of Loan Receivables




| | Jun/09 | Sep/09 | Dec/09 | Mar/10 | Jun/10 | Sep/10 |
|---|---|---|---|---|---|---|
| Allowance ratio*2 | 2.85% | 2.91% | 3.02% | 2.88% | 2.79% | 2.65% |

*1: Loan Receivables, Total Members and Allowance are total of Rakuten Bank and Rakuten Credit

*2: Allowance ratio (Allowance for doubtful account) ratio: balance of allowance/balance of loan assets



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# 2 -6 E-Money Business



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# E-Money Business Highlights of 2010/Q3

Rakuten

- **Increasing Service Points and Edy GTV**
  - Increased number of service points to 240,000：+55.8% YoY
  - GTV growth: +25.3%YoY

    Thanks to growing transactions at convenience store chains

- **Collaboration within Rakuten Group**
  - Issued Edy-embedded Rakuten Card (started Sep 10)
  - Improved usability of charge function of mobile Edy for Rakuten members



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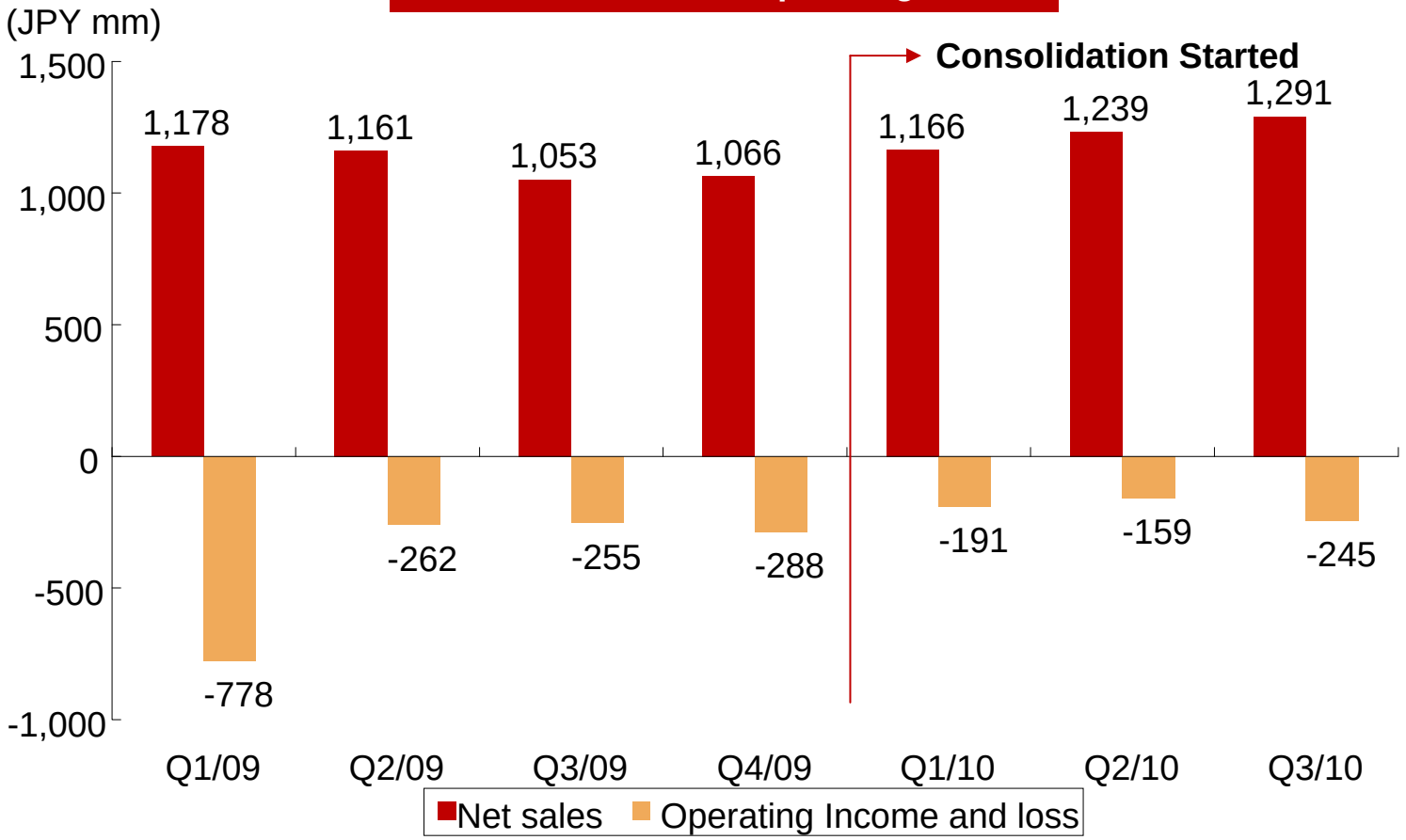
# E-Money Business Quarterly Results

■Sales expanded steadily. However promotion for expansion of transaction volume affected profitability temporarily

**Trends of Sales and Operating Profit ***




*: Figures until Q4/09 are non-consolidated results of bitWallet, Inc. Figures since Q1/10 are E-Money business segment of Rakuten group consolidated results (amortization of goodwill included)



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# 2 -7 Securities Business



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- **Slowdown of Stock Market Affected Financial Performance**
  - Commission decreased due to dull domestic stock markets
  - FX business shrank due to tightening leverage regulation
- **Increase in Product Line-up**
  - Started selling JGBs for individual investors
  - Line-up of investment trust funds exceeded 1,000
- **Expanded Overseas Products**
  - CME and SGX connection to provide global indices futures and commodities futures



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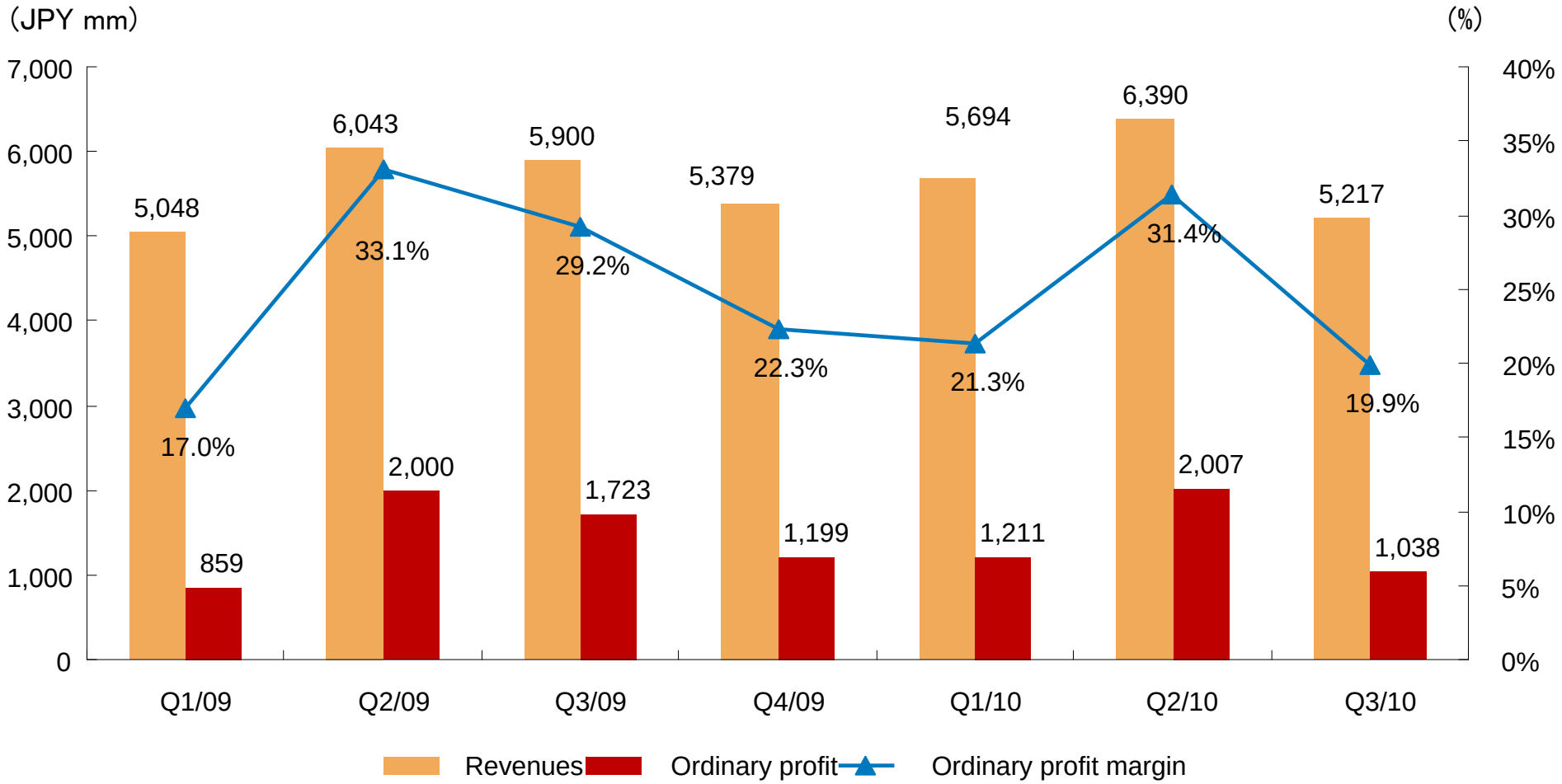
- Revenue: -11.6%YoY, Ordinary Profit: -39.8%YoY due to dull domestic stock markets



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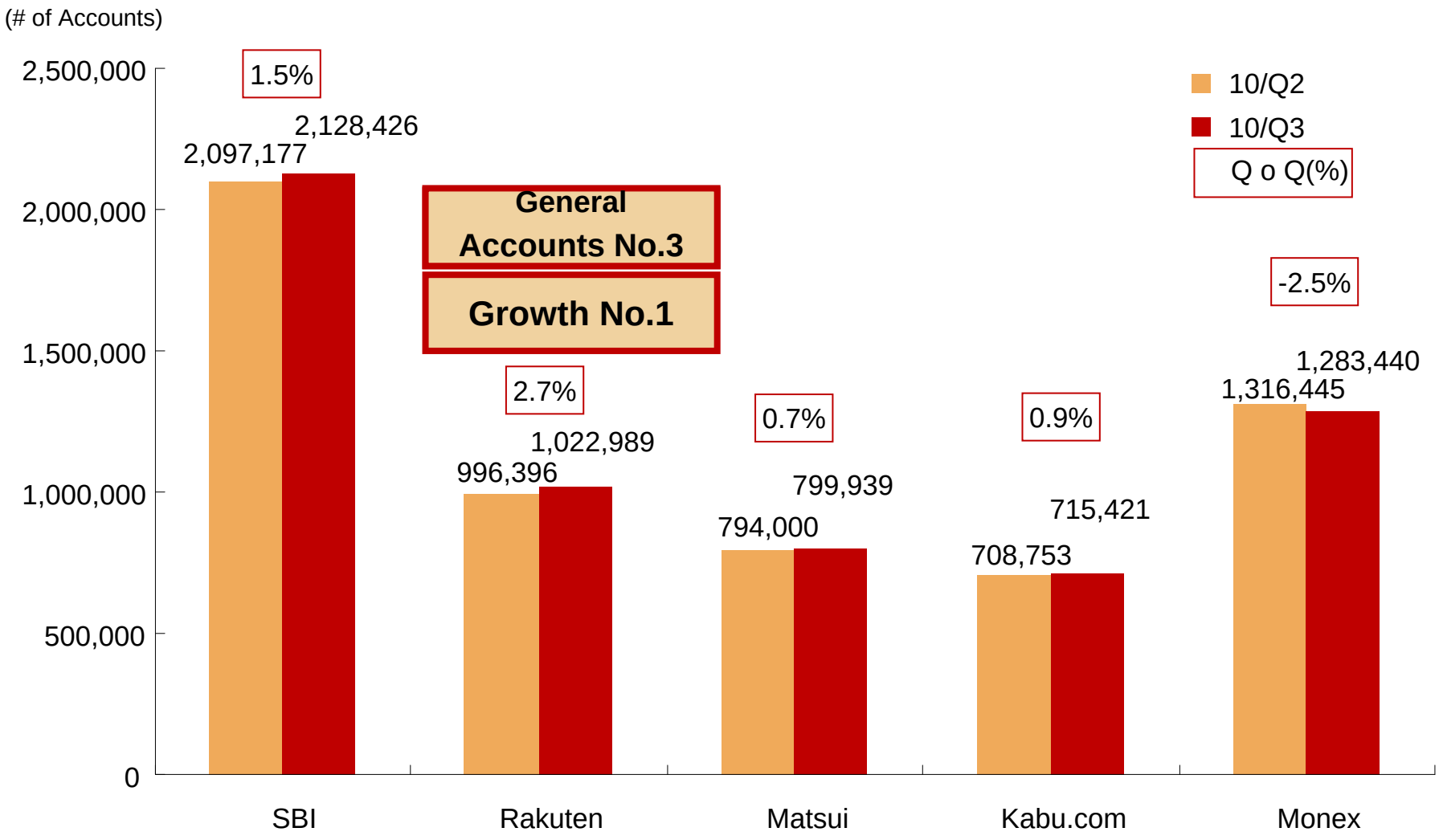
# Rakuten Securities
# Number of General Accounts



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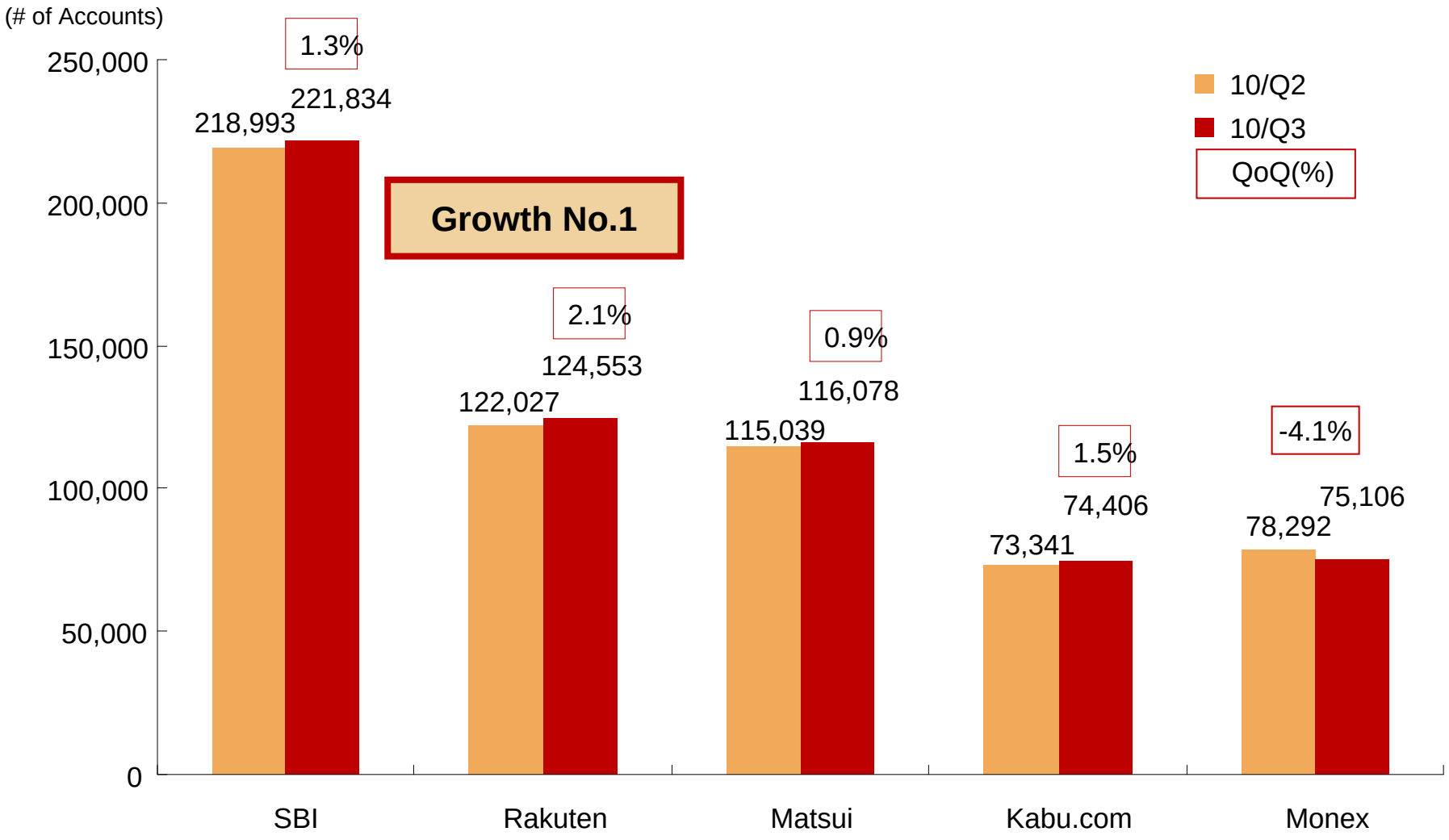
# Rakuten Securities
# Number of Margin Accounts



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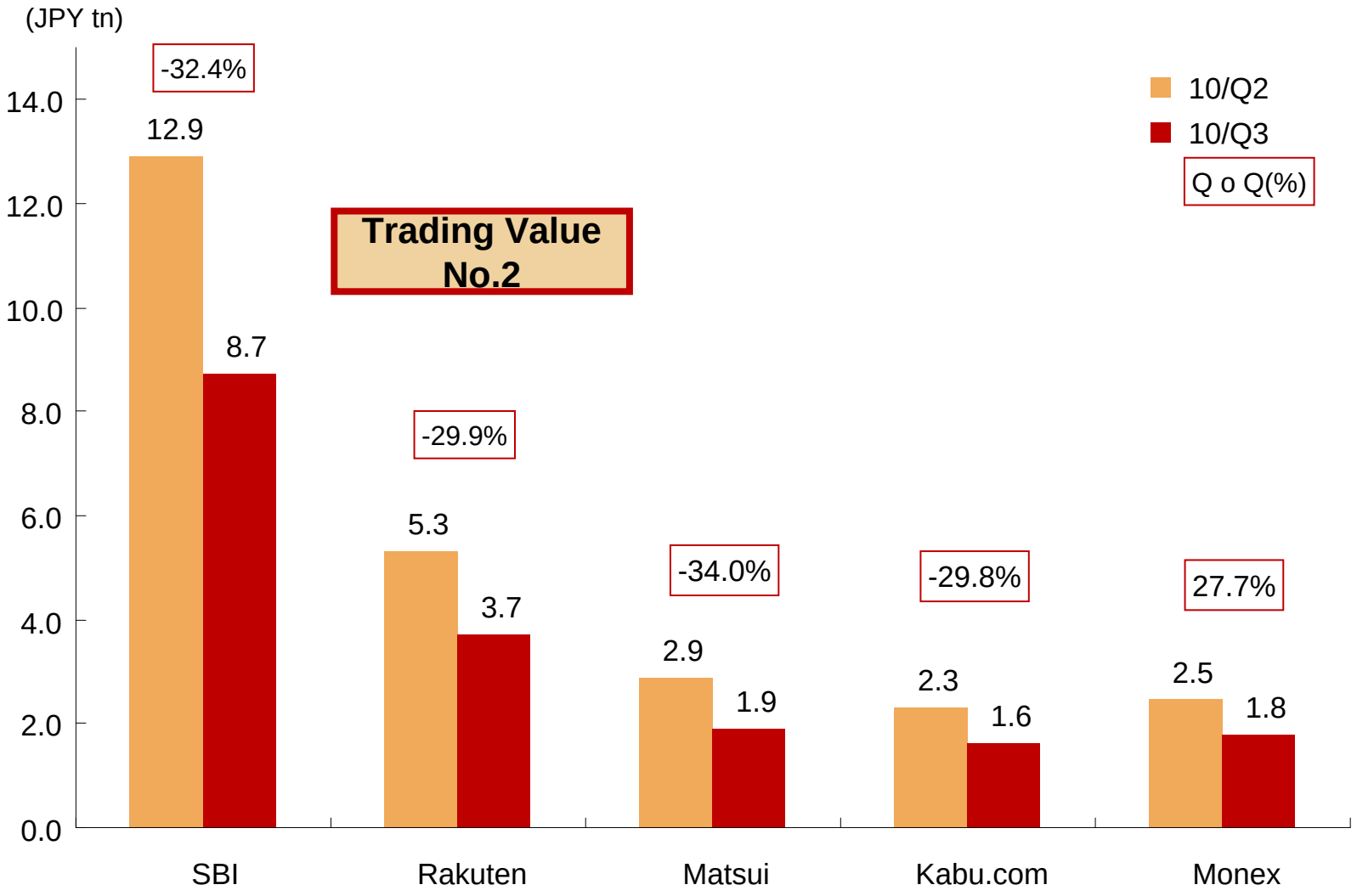
# Rakuten Securities
# Trading Value of Domestic Stocks



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# Appendix

- Financial Condition
- Other Information



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# Financial Condition



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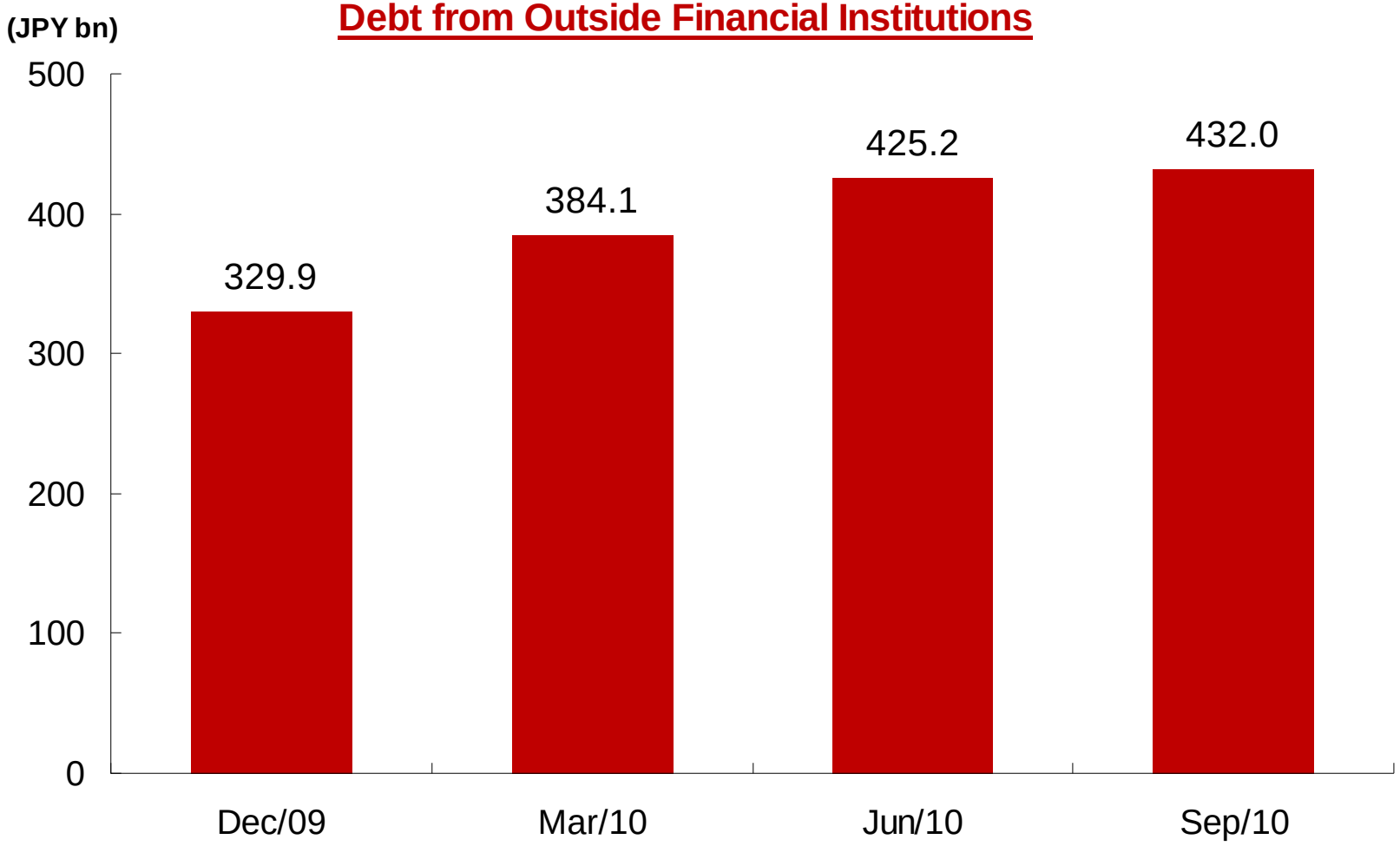
# Financial Institution Borrowing Trend

- Increased borrowing at Rakuten KC due to expansion of card shopping business

**Debt from Outside Financial Institutions**




*Debt from outside financial institutions = bond + CP + short-term debt + long-term debt



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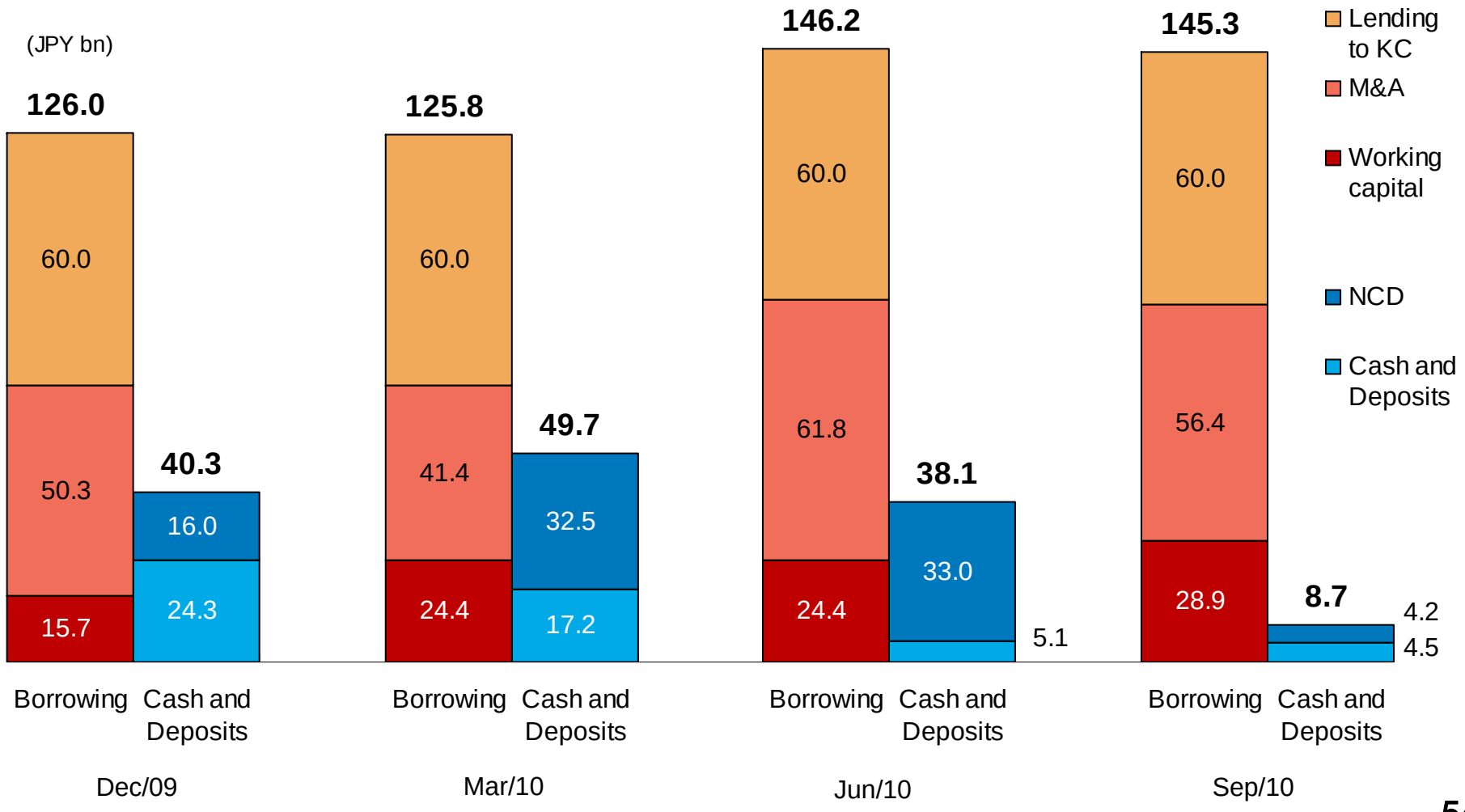
# Rakuten, Inc. ( Non-consolidated)
# Debt and Cash

## Debt Balance and Cash and Deposits Balance of Rakuten, Inc.



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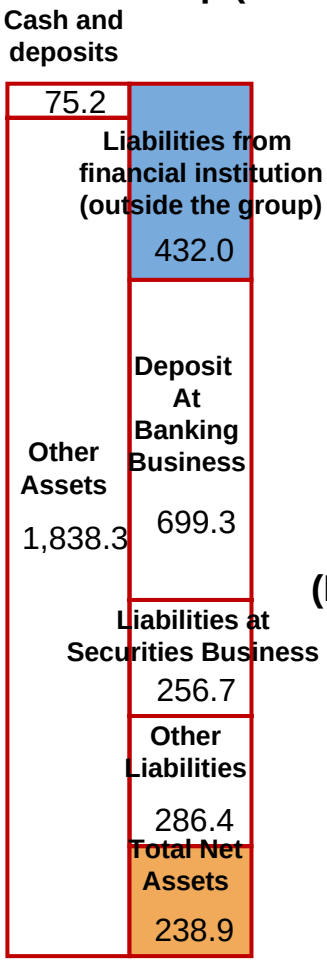
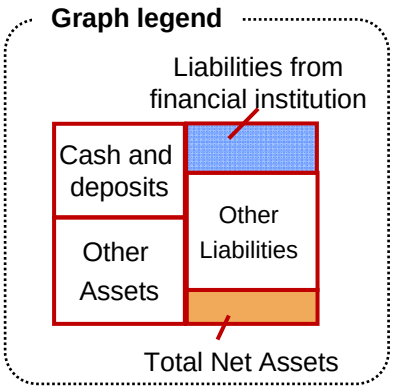
# Rakuten Group : Balance Sheets (As of Sep 30, 2010)

## Rakuten Group (Consolidated)

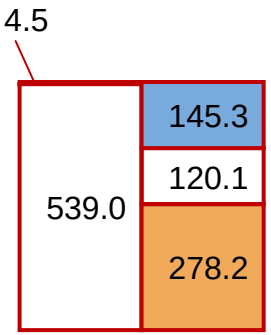
(JPY bn)




**Total Assets**
**1913.6**



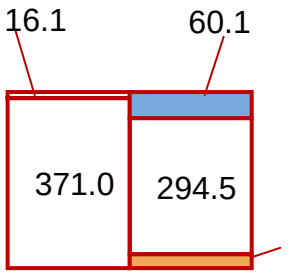

## Rakuten, Inc. (Non-Consolidated)




**Total Assets**
**543.6**

*JPY17bn of borrowing at Rakuten Securities, Inc. is from Rakuten, Inc

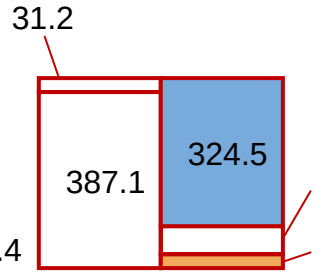
## Rakuten Securities




**Total Assets**
**387.2**

*JPY95.5bn of borrowing at Rakuten KC is from Rakuten, Inc

## Rakuten KC




**Total Assets**
**418.4**

## Rakuten Bank (Consolidated)

**Total Assets**
**782.9**

* Rakuten Securities, Rakuten KC, Rakuten, Inc. (non-consolidated) and Rakuten Bank also including internal elimination.
* Liabilities from financial institution (outside the group) = Corporate bonds + CP + Short-term borrowings + Long-tem borrowings



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# Rakuten, Inc. (non-consolidated) : B/S,P/L

## Balance Sheets (As of Sep 30, 2010)

(JPY bn; Amounts Less Than 0.1 Billion Omitted)

| | | | |
|---|---|---|---|
| **CURRENT ASSETS** | **87.5** | **CURRENT LIABILITIES** | **178.3** |
| Cash and deposits | 4.5 | Account payable-trade | 2.7 |
| Accounts receivable-trade | 26.2 | Short-term debts | 54.6 |
| Other current assets | 57.2 | Accounts payable | 12.4 |
| Allowance for doubtful accounts | - 0.5 | Income taxes payable | 7.6 |
| | | Advance receipt | 4.9 |
| | | Reserve for point program | 11.3 |
| | | Other current liabilities | 84.5 |
| | | **LONG-TERM LIABILITIES** | **87.0** |
| | | **TOTAL LIABILITIES** | **265.4** |
| **NONCURRENT ASSETS** | **456.1** | **SHAREHOLDERS' EQUITY** | **276.8** |
| Property, plant and equipme | 5.8 | Capital stock | 107.6 |
| Intangible assets | 12.6 | Capital surplus | 112.8 |
| Investment and other assets | 437.6 | Retained earnings | 56.3 |
| （Allowance for doubtful accounts） | - 0.3 | Treasury stock | - 0.0 |
| （Loss on investment） | - 1.4 | **VALUATION AND TRANSLATION ADJUSTMENTS** | **0.4** |
| | | Valuation difference on available-for-sale securities | 0.4 |
| | | Subscription rights to shares | 0.8 |
| | | **TOTAL NET ASSETS** | **278.2** |
| **TOTAL ASSETS** | **543.6** | **TOTAL LIABILITIES AND NET ASSETS** | **543.6** |

## Income Statements (Three months ended Sep 30, 2010 )

(JPY bn; Amounts Less Than 0.1 Billion Omitted)

| | |
|---|---|
| **Sales** | **32.9** |
| **Cost of Sales** | **6.9** |
| Gross Profit | **25.9** |
| **Operating Expense** | **15.7** |
| Personnel costs | 6.2 |
| Advertising and sales promotion | 4.3 |
| Depreciation | 1.4 |
| Communication and maintenance | 1.0 |
| Outsourcing | 3.4 |
| Others | - 0.8 |
| **Operating Profit** | **10.2** |
| Non-Operating Profit | 0.3 |
| Non-Operating Expense | 0.4 |
| **Ordinary Profit** | **10.1** |
| Extraordinary profit | - 0.0 |
| Extraordinary loss | 0.5 |
| **Net income before tax** | **9.5** |
| Income taxes-current | 4.8 |
| Income taxes-deferred | - 0.5 |
| **Net Income** | **5.3** |



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## Balance sheet (As of Sep 30, 2010)

(JPY bn)

| | | | |
|---|---|---|---|
| **CURRENT ASSETS** | **374.7** | **CURRENT LIABILITIES** | **255.6** |
| Cash and cash equivalents | 31.2 | Account payable; guarantee contracts | 2.5 |
| Installment accounts receivable | 270.8 | Short-term borrowings | 202.2 |
| Installment accounts receivable; guarantee contract | 2.5 | Other current liabilities | 50.9 |
| Beneficial interest in securitized asse | 40.3 | | |
| Other current assets | 55.3 | **LONG-TERM LIABILITIES** | **130.7** |
| Allowance for doubtful accounts | -25.7 | Long-term borrowings | 122.3 |
| | | Allowance for loss on investment repayment | 7.3 |
| | | Other long-term liabilities | 1.0 |
| **FIXED ASSETS** | 43.7 | **TOTAL LIABILITIES** | **386.4** |
| Property, plant and equipment | 12.2 | **SHAREHOLDERS' EQUITY** | **31.9** |
| Land and buildings | 11.6 | Common stock | **3.0** |
| Other tangible fixed assets | 0.6 | Capital surplus | **41.1** |
| Intangible fixed assets | 2.5 | Retained earnings | **3.5** |
| Investment and other assets | 30.7 | Treasury stock | **-15.7** |
| Allowance for doubtful accounts | -1.8 | **VALUATION, TRANSLATION ADJUSTMENT AND OTHERS** | **0.0** |
| | | **TOTAL NET ASSETS** | **32.0** |
| **TOTAL ASSETS** | **418.4** | **TOTAL LIABILITIES AND NET ASSETS** | **418.4** |



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# Rakuten Bank : B/S, P/L ( Consolidated )

## Balance Sheets (As of Sep 30, 2010)

(JPY bn; Amounts Less Than 0.1bn Omitted)

| | | | |
|---|---|---|---|
| **Cash and deposits** | **16.5** | **Deposits** | **704.7** |
| **Call loans** | **77.0** | Ordinary Deposits | 303.2 |
| **Monetary claims bought** | **179.6** | Time Deposits | 330.9 |
| **Money held in trust** | **11.7** | Other Deposits | 70.5 |
| **Securities** | **341.9** | **Borrowed money** | **14.5** |
| **Allowance for investment** | **-** | **Bond payable** | **10.0** |
| **Loans and bills discounted** | **118.5** | **Other liabilities** | **19.2** |
| **Foreign exchanges** | **0.5** | **Provision for bonuses** | **0.1** |
| **Other assets** | **30.3** | **Reserves for points** | **0.2** |
| **Tangible fixed assets** | **0.5** | **Contingency reserve** | **0.3** |
| **Intangible fixed assets** | **4.8** | **Reserves under the special laws** | **0.0** |
| **Deferred tax assets** | **0.0** | **Deferred tax liabilities** | **2.8** |
| **Customers' liabilities for** | **3.5** | **Acceptances and guarantees** | **3.5** |
| **Allowance for loan losses** | **-2.3** | **TOTAL LIABILITIES** | **755.6** |
| | | Capital stock | 23.4 |
| | | Capital surplus | - |
| | | Retained earnings | 3.0 |
| | | Treasury stock | -4.1 |
| | | **Shareholders' equity** | **22.3** |
| | | Valuation difference on available-for-sale securities | 4.6 |
| | | Deferred gains or losses on hedges | - |
| | | Valuation and translation adjustments | 4.6 |
| | | **Minority interests** | 0.2 |
| | | **TOTAL NET ASSET** | **27.2** |
| **TOTAL ASSETS** | **782.9** | **TOTAL LIABILITIES AND NET ASSETS** | **782.9** |

## Income Statements (Three months ended Sep 30, 2010 )

(JPY bn; Amounts Less Than 0.1 bn Omitted)

| | |
|---|---|
| **Ordinary income** | **8.8** |
| Interest income | **4.5** |
| （Interest on loans and discounts） | **2.6** |
| （Interest and dividends on securities | **1.0** |
| Fees and commissions | **3.2** |
| Other ordinary income | **0.9** |
| Other income | **0.1** |
| **Ordinary expenses** | **8.7** |
| Interest expenses | **0.9** |
| （Interest on deposits） | **0.7** |
| Fees and commissions payments | **2.3** |
| Other ordinary expenses | **1.8** |
| General and administrative expenses | **3.6** |
| Other expenses | **-0.0** |
| **Ordinary profit** | **0.1** |
| Extraordinary Income | **-** |
| Extraordinary losses | **0.0** |
| **Income before income taxes** | **0.1** |
| Income taxes-current | **0.0** |
| Income taxes-deferred | **0.0** |
| Minority interests in income | **-0.0** |
| **Net income** | **0.1** |



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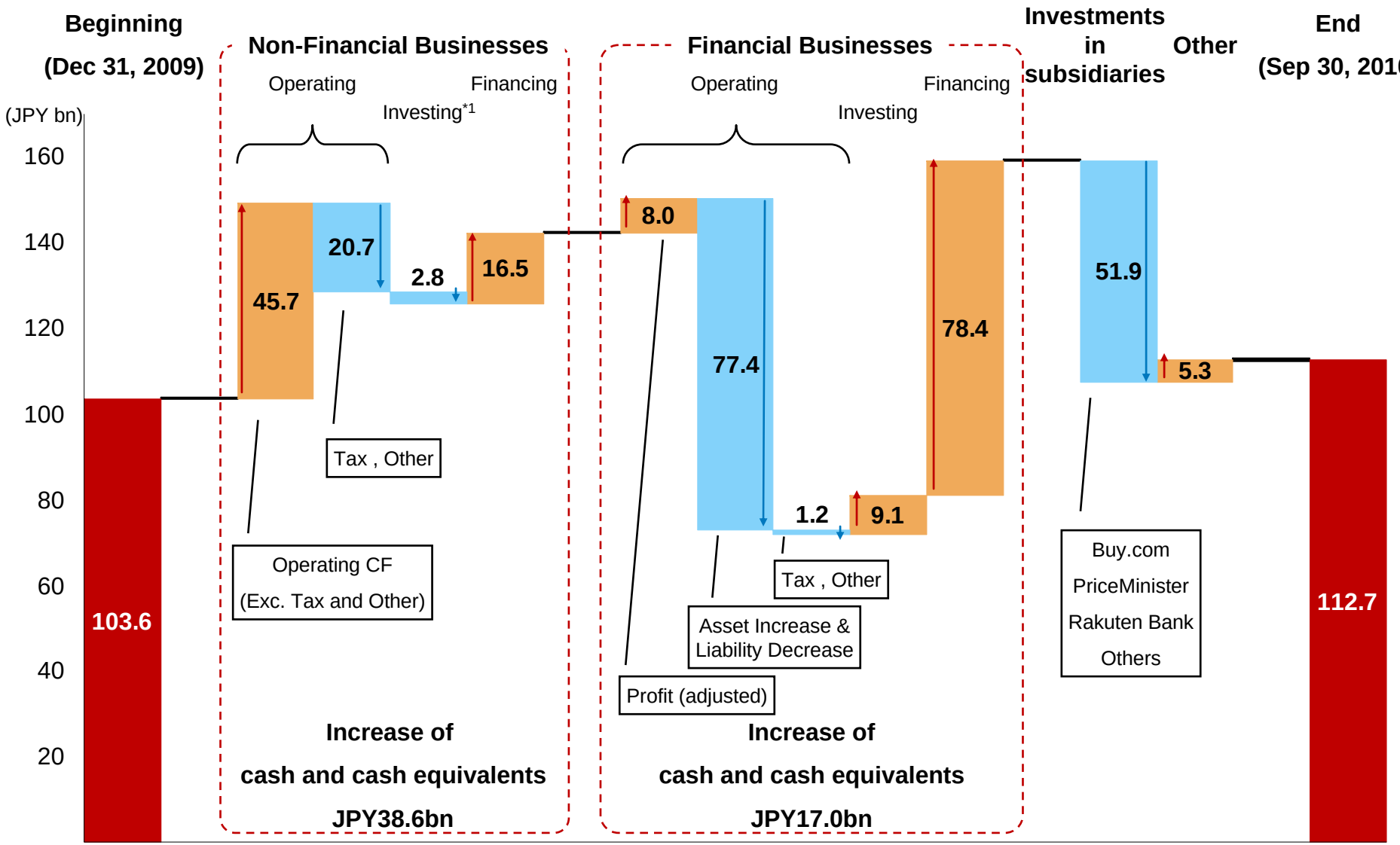
# Cash Flow Breakdown : Jan-Sep, 2010




*1 : Excluding “Investments in subsidiaries”(JPY51.9bn) from investing activities in Non-Financial Businesses(JPY54.8bn).



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# Breakdown of Cash Flow by Financial Businesses and Non-financial Businesses : Jan-Sep, 2010 (1)

Rakuten

Breakdown by financial businesses and non-financial businesses are based on internal estimation and non-audited. (JPY bn)

| Overview of Cash flow statements for nine months ended September 30, 2010 | Consolidated | Financial | Non-Financial | Other |
|---|---|---|---|---|
| **Ⅰ Net cash provided by (used in) operating activities** | | | | |
| Income before income taxes and minority interests | **43.0** | 6.6 | 36.3 | - |
| Amortization of goodwill | **5.1** | 2.3 | 2.8 | - |
| Depreciation and amortization | **12.1** | 5.3 | 6.7 | - |
| Loss (gain) on valuation of securities for banking business | **2.4** | 2.4 | - | - |
| Loss (gain) on sales of securities for banking business | **(0.0)** | (0.0) | - | - |
| Increase (decrease) in allowance for doubtful accounts | **(6.1)** | (5.8) | (0.3) | - |
| Increase (decrease) in provision for loss on interest repayment | **(2.9)** | (2.9) | - | - |
| Other loss (gain) | **5.0** | - | - | 5.0 |
| Decrease (increase) in notes and accounts receivable-trade | **0.8** | 0.0 | 0.7 | - |
| Decrease (increase) in accounts receivable-installment | **(18.2)** | (18.2) | - | - |
| Decrease (increase) in beneficial interests in securitized assets | **1.3** | 1.3 | - | - |
| Increase (decrease) in deposits for banking business | **1.0** | 1.0 | - | - |
| Decrease (increase) in call loans for banking business | **(27.0)** | (27.0) | - | - |
| Decrease (increase) in cash loans and bills discounted for banking business | **(16.6)** | (16.6) | - | - |
| Increase (decrease) in notes and accounts payable-trade | **(3.6)** | (1.4) | (2.2) | - |
| Increase (decrease) in accounts payable-other and accrued expenses | **(4.2)** | (5.2) | 0.9 | - |
| Increase (decrease) in accounts payable-other and accrued expenses | **(3.0)** | (3.0) | - | - |
| Increase (decrease) in operating payable for securities business | **(33.9)** | (33.9) | - | - |
| Increase (decrease) in loans payable secured by securities for securities business | **23.3** | 23.3 | - | - |
| Decrease (increase) in operating loans receivable | **1.8** | 1.8 | - | - |
| Other, net | **1.0** | 0.3 | 0.7 | - |
| **Subtotal** | **(18.6)** | **(69.4)** | **45.7** | **5.0** |
| Payments for guarantee deposits for business operation | **(4.5)** | (4.5) | 0.0 | - |
| Proceeds from guarantee deposits for business operation | **3.2** | 3.2 | 0.0 | - |
| Income taxes paid | **(20.4)** | 0.2 | (20.7) | - |
| Other, net | **(0.2)** | (0.2) | - | - |
| **Net cash provided by (used in) operating activities** | **(40.5)** | **(70.6)** | **25.0** | **5.0** |



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# Breakdown of Cash Flow by Financial Businesses and Non-financial Businesses : Jan-Sep, 2010 (2)

Rakuten

Breakdown by financial businesses and non-financial businesses are based on internal estimation and non-audited. (JPY bn)

| Overview of Cash flow statements for nine months ended September 30, 2010 | Consolidated | Financial | Non-Financial | Other |
|---|---|---|---|---|
| **Ⅱ Net cash provided by (used in) investing activities** | | | | |
| Payments into time deposits | **(5.4)** | (5.3) | (0.1) | - |
| Proceeds from withdrawal of time deposits | **3.1** | 2.8 | 0.3 | - |
| Purchase of property, plant and equipment | **(4.2)** | (0.2) | (3.9) | - |
| Purchase of intangible assets | **(10.9)** | (4.3) | (6.5) | - |
| Acquisition of securities for banking business | **(276.8)** | (276.8) | - | - |
| Proceeds from sales and redemption of securities for banking business | **293.1** | 293.1 | - | - |
| Proceeds from a exercise of appraisal rights for investment securities | **8.8** | - | 8.8 | - |
| Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation | **7.0** | - | 7.0 | - |
| Purchase of investments in subsidiaries | **(18.8)** | - | (18.8) | - |
| Purchase of investments in subsidiaries resulting in change in scope of consolidation | **(40.1)** | - | (40.1) | - |
| Other payments | **(3.5)** | (0.6) | (2.9) | - |
| Other proceeds | **1.6** | 0.7 | 0.9 | - |
| Interest and dividends income received | **0.5** | - | 0.5 | - |
| **Net cash provided by (used in) investing activities** | **(45.6)** | **9.1** | **(54.8)** | **-** |
| **Ⅲ Net cash provided by (used in) financing activities** | | | | |
| Net increase (decrease) in short-term loans payable | **57.1** | 45.3 | 11.8 | - |
| Increase (decrease) in commercial papers | **30.7** | 30.7 | - | - |
| Proceeds from long-term loans payable | **76.2** | 53.0 | 23.2 | - |
| Repayment of long-term loans payable | **(61.0)** | (45.9) | (15.0) | - |
| Proceeds from issuance of bonds | **1.4** | - | 1.4 | - |
| Redemption of bonds | **(6.2)** | (4.0) | (2.2) | - |
| Purchase of treasury stock of subsidiaries in consolidation | **(0.0)** | (0.0) | - | - |
| Interest expenses paid | **(1.1)** | - | (1.1) | - |
| Proceeds from stock issuance to minority shareholders | **0.0** | 0.0 | 0.0 | - |
| Cash dividends paid | **(1.3)** | - | (1.3) | - |
| Cash dividends paid to minority shareholders | **(0.2)** | (0.2) | - | - |
| Other, net | **(0.3)** | (0.3) | (0.0) | - |
| **Net cash provided by (used in) financing activities** | **95.0** | **78.4** | **16.5** | **-** |
| Ⅳ Effect of exchange rate change on cash and cash equivalents | **(0.4)** | - | (0.4) | - |
| **Ⅴ Net increase (Decrease) in cash and cash equivalents** | **8.3** | **17.0** | **(13.7)** | **5.0** |
| Ⅵ Cash and cash equivalents (as of December 31, 2009) | **103.6** | - | - | - |
| Ⅶ Increase in cash and cash equivalents from newly consolidated subsidiary | **0.7** | - | - | - |
| Ⅷ Cash and cash equivalents (as of September 30, 2010) | **112.7** | - | - | - |



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# Other Information



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# Q3/10 Results by Business Category

(JPY bn)

| | | | Q3/09 （ | | | Q3/10 （Jul-Sep) | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Sales | Operating Profit | Operating Profit Margin | Sales | YoY | Operating Profit | YoY | Operating Profit Margin |
| **Internet Services** | E-Commerce Travel Portal and Media | Net*1 | 36.5 | 11.4 | 31.4% | **45.6** | 24.8% | **12.9** | 13.0% | 28.4% |
| | | Gross (accounting) | 41.6 | 11.4 | 27.6% | **51.6** | 24.1% | **12.9** | 13.0% | 25.1% |
| **Internet Finance** | Credit Card Banking Securities E-Money*2 | | 29.5 | 3.0 | 10.3% | **32.5** | 10.2% | **1.6** | -44.6% | 5.2% |
| **Others** | Telecommunication Professional sports | | 9.8 | 0.7 | 7.6% | **8.8** | -9.8% | **0.8** | 8.8% | 9.2% |
| **Corporate and Internal elimination** | | | -3.7 | 0.0 | - | **-4.5** | - | **0.4** | - | - |
| **Consolidated** | | Net*1 | 72.1 | 15.1 | 21.0% | **82.4** | 14.2% | **15.9** | 5.0% | 19.4% |
| | | Gross (accounting) | 77.2 | 15.1 | 19.7% | **88.4** | 14.5% | **15.9** | 5.0% | 18.0% |

*1: Reference: Calculated based on Gross Profit for Package Media (inventory-type business).

*2: Started consolidation with bitWallet, Inc. in 2010 Q1



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# Business and Segments*1

Rakuten

| E-Commerce |
|---|
| Rakuten Ichiba*2 |
| Global Ichiba*2 |
| Logistics*2 |
| Checkout*2 |
| Dining |
| Business Services*2 |
| Auto*2 |
| Delivery*2 |
| Online Super Market Shopping |
| Golf*2 |
| Package Media*2 |
| Auction |
| Tickets*2 |
| Global Internet Marketing*5 |
| Horse Racing (Off-track betting)*2 |

| Credit Card |
|---|
| KC |

| E-Money *3 |
|---|
| Edy |

| Banking |
|---|
| Bank |
| Personal Finance |
| toto*4 |

| Portal and Media |
|---|
| Infoseek |
| Blogs |
| Shashinkan (Rakuten Photo) |
| Minshu (Former College Students' Portal Community) |
| Toolbar*3 |
| Contents*6 |
| Advertising |
| Internet Marketing*4 |
| Research |
| Marriage (O-net) |
| Wedding*3 |

| Travel |
|---|
| Travel |

| Securities |
|---|
| Securities |
| Insurance |

| Professional Sports |
|---|
| Professional Sports |

| Telecommunications |
|---|
| Phone (Fusion Communications) |

*1. Some new businesses are not included as of the end of Sep 2010

*2. E-commerce business operated by Rakuten, Inc.

*4. Established in Q1/10

*5. Established in Q2/10

*5. Reorganization since Q2/10

*6. Reorganization since Q3/10



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# Amortization of Goodwill

Rakuten

| Business segment | Q1/09 | Q2/09 | Q3/09 | Q4/09 | Q1/10 | Q2/10 | Q3/10 | Companies |
|---|---|---|---|---|---|---|---|---|
| E-Commerce | 542 | 542 | 691 | 599 | 832 | 581 | 1,055 | LinkShare<br>Buy.com<br>PriceMinister<br>LinkShareJapan<br>FreeCause |
| Credit Card | 246 | 246 | 246 | 290 | 246 | 246 | 246 | RakutenKC |
| E-Money | 0 | 0 | 0 | 0 | 30 | 58 | 15 | bitWallet |
| Banking | 175 | 308 | 293 | 273 | 282 | 429 | 435 | RakutenBank |
| Portal and Media | 44 | 78 | 61 | 61 | 81 | 61 | 61 | ShowTime<br>O-net |
| Travel | 12 | 12 | 12 | 12 | 12 | 12 | 12 | Rakuten Travel |
| Securities | 95 | 95 | 189 | 95 | 95 | 99 | 169 | Rakuten Securities<br>Dot Commodity |
| Professional Sport | -0 | -0 | -0 | -0 | -0 | -0 | -20 | Rakuten Sports Properties |
| Telecommunicatio | -4 | -6 | -2 | -5 | -5 | -5 | -5 | Fusion Communications |
| Consolidated | 1,111 | 1,276 | 1,492 | 1,327 | 1,575 | 1,483 | 1,970 | |

* Amortization of goodwill is included in SG&A items



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# Rakuten Group's CAPEX*

(JPY bn)

| | | 2009 | | | | 2010 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Q1 | Q2 | Q3 | Q4 | Q1 | | Q2 | Q3 |
| | | Operating Base | | | | Operating Base | Acquisition Base | Acquisition Base | |
| Non Consolidated | Hardware | 0.14 | 0.09 | 0.17 | 0.17 | 1.15 | 1.59 | 0.83 | 1.14 |
| | Software | 0.63 | 0.90 | 0.76 | 1.25 | 1.13 | 1.39 | 1.48 | 1.96 |
| | Total | 0.77 | 1.00 | 0.94 | 1.42 | 2.28 | 2.98 | 2.32 | 3.10 |
| Consolidated | Hardware | 0.99 | 0.59 | 0.42 | 0.45 | 1.87 | 2.81 | 1.26 | 1.71 |
| | Software | 2.68 | 1.61 | 2.38 | 2.70 | 3.12 | 3.47 | 3.10 | 4.12 |
| | Total | 3.68 | 2.21 | 2.80 | 3.15 | 5.00 | 6.29 | 4.37 | 5.83 |

*Before 09/Q4 : Operating Base (Excluding Professional Sports Business)
*Since 10/Q1 : Acquisition Base (Including Professional Sports Business)



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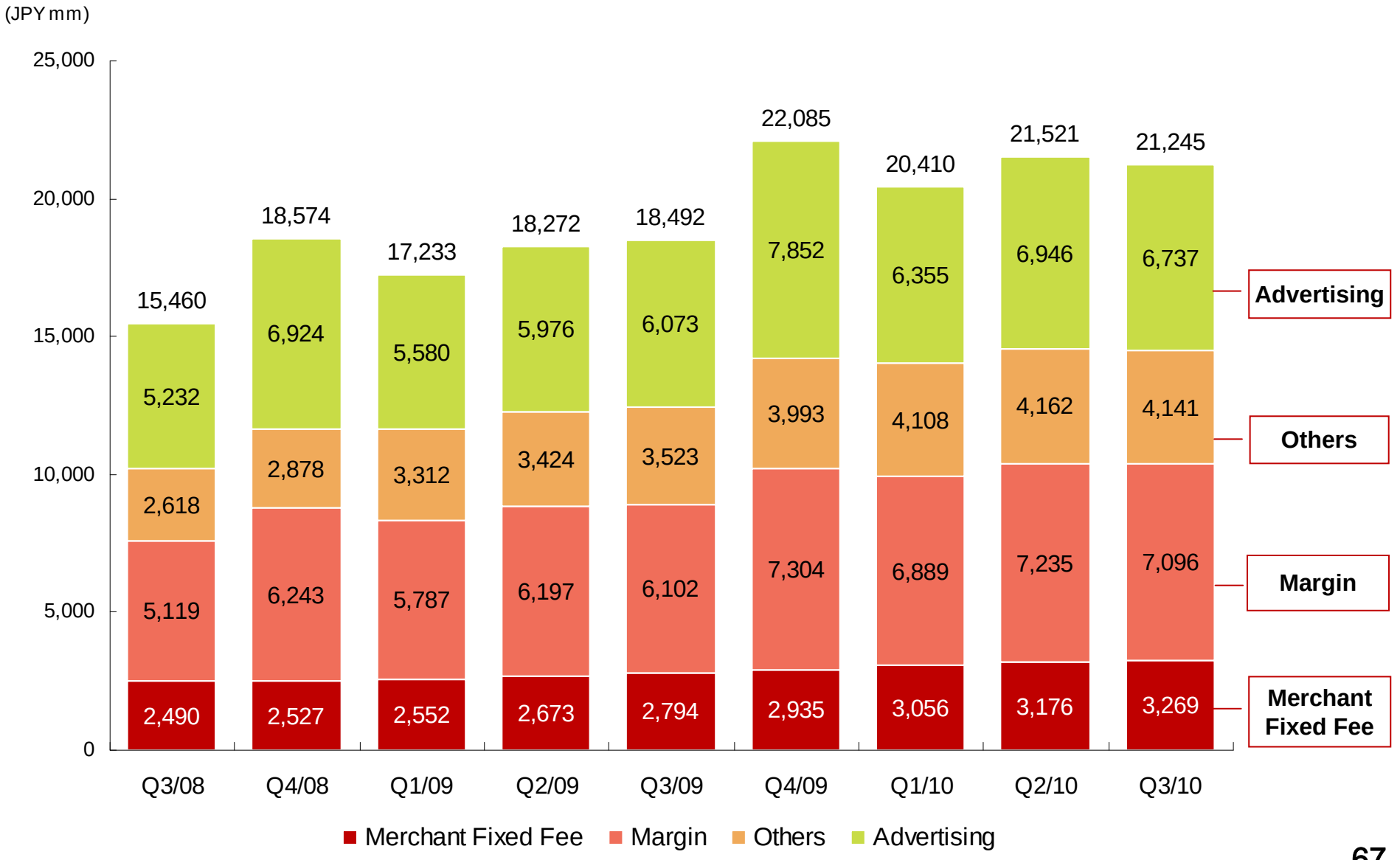
# Rakuten Ichiba Sales Breakdown



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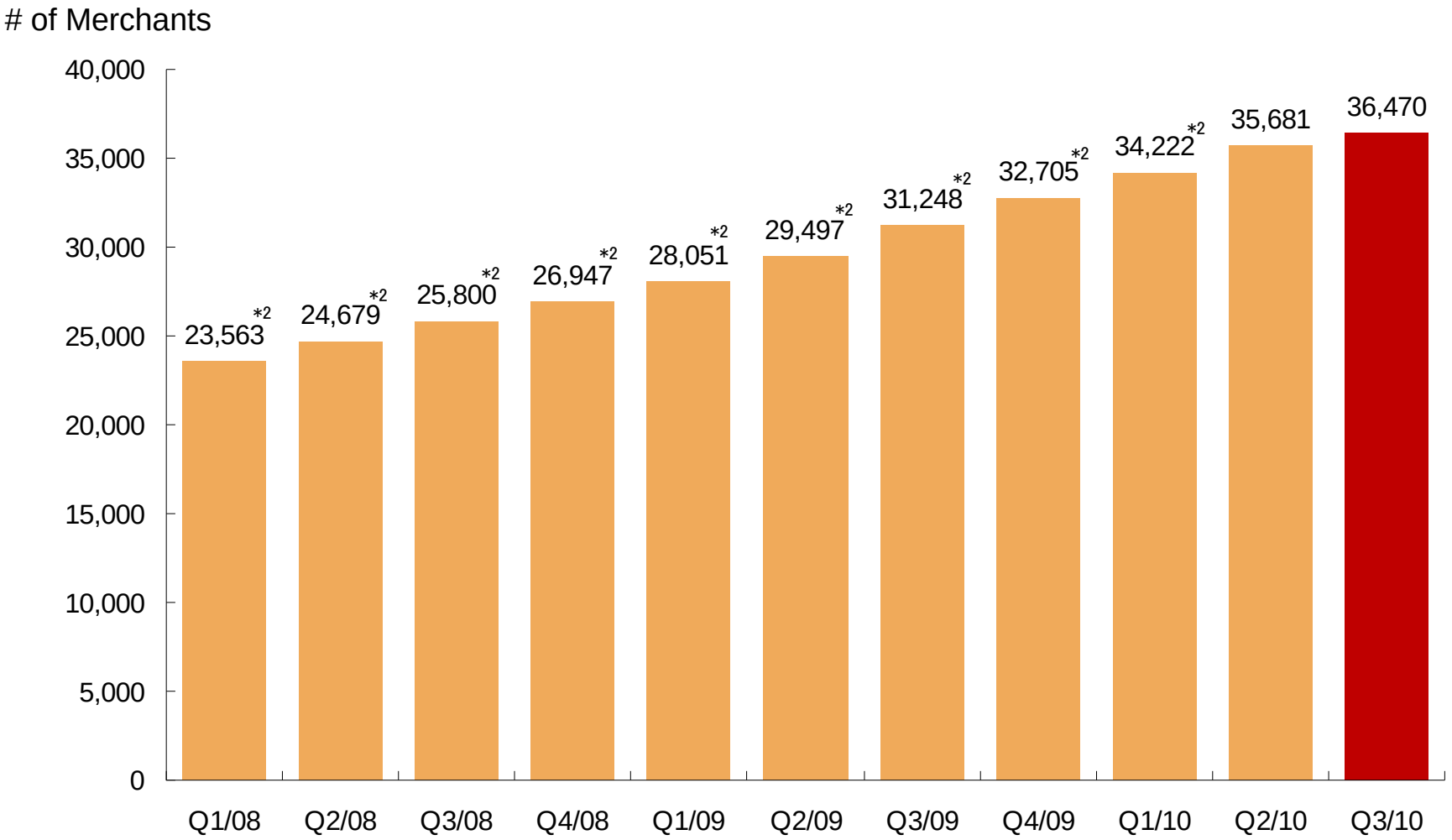
# Number of Merchants *1

■Total number of merchants (contract base): +16.7% YoY, surpassed 36,000




*1: Method changed from Q3/09 disclosure :New method Is based on number of contracted merchants, old method was based on number of merchants who were charged fixed fee during the last month of each quarter.

*2:The figures before 1Q/10 were adjusted retroactively.



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## Profit and Loss Statement

(JPY bn)

| | 2009 (Jul-Sep) | 2010 (Jan-Mar) | 2010 (Jul-Sep) |
|---|---|---|---|
| **Sales** | **15.0** | **16.4** | **16.6** |
| **Operating Expense** | **14.0** | **16.0** | **15.3** |
| SG&A | **12.1** | **14.2** | **13.5** |
| Financial Costs | **1.8** | **1.8** | **1.7** |
| **Operating Profit** | **1.0** | **0.4** | **1.2** |
| Non-Operating Profit | **0.0** | **0.0** | **0.0** |
| **Ordinary Profit** | **1.0** | **0.4** | **1.2** |
| Extraordinary Profit (Loss) | **-0.1** | **0.0** | **-0.1** |
| **Earning before Tax** | **0.9** | **0.4** | **1.1** |
| Provision for income taxes | **-0.9** | **0.2** | **-0.3** |
| **Net Income** | **1.8** | **0.1** | **1.5** |

| | | | |
|---|---|---|---|
| **Ordinary Profit (before securitizing effect)** | **1.3** | **0.4** | **1.2** |



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# Rakuten KC Composition of Revenues and Operating Expenses

(JPY mm)

| | Q2/09 | Q3/09 | Q4/09 | Q1/10 | Q2/10 | Q3/10 | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | | Results | % of total | YoY change |
| General services | 4,596 | 4,996 | 5,830 | 6,205 | 6,995 | 7,708 | 46.4% | 54.2% |
| Card shopping | 4,561 | 4,965 | 5,803 | 6,180 | 6,971 | 7,685 | 46.3% | 54.7% |
| Others | 35 | 30 | 27 | 25 | 23 | 22 | 0.1% | - 25.6% |
| Financing | 7,720 | 7,303 | 6,840 | 6,347 | 6,056 | 5,569 | 33.5% | - 23.7% |
| | (7,211) | (7,005) | (6,793) | (6,233) | (6,046) | (5,559) | 33.5% | - 20.6% |
| Card cash advances | 4,773 | 4,549 | 4,267 | 3,949 | 3,804 | 3,536 | 21.3% | - 22.2% |
| | (4,346) | (4,403) | (4,267) | (3,949) | (3,804) | (3,536) | 21.3% | - 19.7% |
| Loan card | 2,911 | 2,721 | 2,542 | 2,371 | 2,228 | 2,012 | 12.1% | - 26.0% |
| | (2,829) | (2,569) | (2,496) | (2,257) | (2,217) | (2,002) | 12.1% | - 22.0% |
| Others | 35 | 32 | 29 | 26 | 23 | 20 | 0.1% | - 36.4% |
| Installment | 0 | 0 | 0 | 0 | 0 | 0 | - | - 50.5% |
| Credit guarantee | 264 | 255 | 247 | 240 | 231 | 224 | 1.4% | - 12.1% |
| Others | 2,553 | 2,830 | 2,834 | 2,890 | 3,159 | 3,101 | 18.6% | 9.5% |
| Financing revenues | 34 | 7 | 17 | 9 | 36 | 9 | 0.1% | 20.4% |
| Total revenues | 15,169 | 15,394 | 15,771 | 15,694 | 16,479 | 16,612 | 100.0% | 7.9% |
| (excludes effect of securitization GAAP) | (14,660) | (15,096) | (15,725) | (15,579) | (16,468) | (16,602) | - | 9.9% |
| Operating expenses | | | | | | | | |
| Personnel costs | 1,430 | 1,477 | 1,469 | 1,467 | 1,508 | 1,547 | 10.1% | 4.7% |
| General expenses | 6,500 | 6,628 | 7,505 | 8,412 | 8,961 | 8,900 | 58.0% | 34.2% |
| Interest expenses | 1,881 | 1,883 | 1,744 | 1,968 | 1,834 | 1,755 | 11.4% | - 6.7% |
| Expenses related to doubtful accounts | 4,007 | 4,025 | 3,738 | 3,402 | 3,743 | 3,143 | 20.5% | - 21.9% |
| Interest repayment expenses | 0 | 0 | 0 | 0 | 0 | 0 | - | - |
| Cash-out | 0 | 0 | 0 | 0 | 0 | 0 | - | - |
| Write-off of principals | 0 | 0 | 0 | 0 | 0 | 0 | - | - |
| Total operating expenses | 13,820 | 14,015 | 14,458 | 15,250 | 16,048 | 15,348 | 100.0% | 9.5% |
| Operating profit | 840 | 1,080 | 1,267 | 329 | 420 | 1,254 | - | 16.1% |

*Amount of revenue in brakets"()" include effects of securitization and per incomestatement.



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# Rakuten KC Transaction Volume and Number of Cardholders

## Composition of Transaction Volume

(JPY mm)

| | Q2/09 | Q3/09 | Q4/09 | Q1/10 | Q2/10 | Q3/10 | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | | Results | % of total | YoY change |
| General services | 156,316 | 167,515 | 195,541 | 208,422 | 238,919 | 260,236 | 94.4% | 55.3% |
| Card shopping | 155,776 | 166,940 | 194,981 | 207,821 | 238,311 | 259,595 | 94.2% | 55.5% |
| Others | 539 | 574 | 559 | 601 | 607 | 641 | 0.2% | 11.6% |
| Financing | 20,154 | 19,558 | 18,948 | 18,613 | 17,410 | 11,134 | 4.0% | -43.0% |
| Card cash advances | 14,369 | 14,057 | 13,915 | 13,837 | 13,569 | 9,732 | 3.5% | -30.7% |
| Loan card | 5,785 | 5,501 | 5,033 | 4,775 | 3,841 | 1,401 | 0.5% | -74.5% |
| Installment | 14 | 7 | 5 | 4 | 5 | 4 | 0.0% | -37.5% |
| Credit guarantee | 1,026 | 1,077 | 1,029 | 1,139 | 867 | 1,092 | 0.4% | 1.4% |
| Others | 2,387 | 3,265 | 3,456 | 3,443 | 3,408 | 3,306 | 1.2% | 1.2% |
| Total transaction volume | 179,900 | 191,423 | 218,981 | 231,623 | 260,610 | 275,774 | 100.0% | 44.0% |

## Number of Valid Cardholders

(Million persons)

| | Q2/09 | Q3/09 | Q4/09 | Q1/10 | Q2/10 | Q3/10 | |
|---|---|---|---|---|---|---|---|
| | | | | | | Results | YoY change |
| Credit card | 4.09 | 4.29 | 4.48 | 4.80 | 5.15 | 5.41 | 25.9% |
| Loan card | 0.37 | 0.36 | 0.35 | 0.34 | 0.32 | 0.32 | - 11.6% |



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## Balance of Loan Receivables

(JPY mm)

| | Q2/09 | Q3/09 | Q4/09 | Q1/10 | Q2/10 | Q3/10 | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | | Results | % of total | YoY change |
| General services | 107,929 | 114,591 | 135,686 | 143,922 | 160,499 | 172,945 | 46.0% | 50.9% |
| Card shopping | 106,462 | 113,368 | 134,639 | 143,025 | 159,717 | 172,238 | 45.8% | 51.9% |
| Card shopping(Securitized) | 29,540 | 69,562 | 75,786 | 72,969 | 87,961 | 97,477 | 25.9% | 40.1% |
| (Securitized, off-balance) | ( 100) | ( 38,100) | ( 42,626) | ( 38,557) | ( 52,763) | (61,682) | - | 61.8% |
| (Securitized, on-balance) | (29,440) | (31,462) | (33,159) | (34,411) | (35,197) | (35,794) | - | 13.7% |
| Card shopping revolving payments | 49,331 | 55,114 | 63,168 | 71,381 | 79,989 | 88,419 | 23.5% | 60.4% |
| Others | 1,467 | 1,222 | 1,047 | 896 | 781 | 706 | 0.2% | - 42.1% |
| Financing | 204,122 | 197,810 | 191,238 | 186,075 | 179,294 | 169,799 | 45.1% | - 14.1% |
| Card cash advances | 91,395 | 87,790 | 83,384 | 80,687 | 76,589 | 71,301 | 19.0% | - 18.7% |
| (Securitized, off-balance) | (26,303) | (0) | (0) | (0) | (0) | (0) | - | - |
| Loan card | 72,029 | 67,823 | 62,930 | 59,103 | 54,369 | 48,723 | 12.9% | - 28.1% |
| (Securitized, off-balance) | ( 26,651) | ( 19,515) | ( 18,244) | ( 9,048) | ( 9,775) | (8,667) | - | - 55.5% |
| (Securitized, on-balance) | ( 25,414) | ( 26,277) | ( 25,322) | ( 23,838) | ( 22,337) | (21,641) | - | - 17.6% |
| Others | 40,697 | 42,196 | 44,922 | 46,284 | 48,336 | 49,773 | 13.2% | 17.9% |
| Installment | 1,111 | 1,046 | 990 | 947 | 887 | 854 | 0.2% | - 18.3% |
| Credit guarantee | 36,945 | 35,782 | 34,437 | 33,542 | 32,254 | 31,363 | 8.3% | - 12.3% |
| (Off-balance guarantees) | (33,815) | (32,801) | (31,603) | (30,822) | (29,618) | (28,828) | - | - 12.1% |
| Others(Off-balance) | 4,720 | 3,919 | 3,102 | 2,433 | 1,866 | 1,406 | 0.4% | - 64.1% |
| Total balance(Include off-balance) | 354,830 | 353,150 | 365,455 | 366,921 | 374,803 | 376,369 | 100.0% | 6.5% |
| Total balance(On balance) | 263,239 | 258,812 | 269,877 | 286,059 | 280,779 | 275,783 | - | - |



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## Overdue Loan Receivable

(JPY mm)

| Aging of Loan Receivable | Q3/09 | | | Q3/10 | | | YoY | | |
|---|---|---|---|---|---|---|---|---|---|
| | Jul | Aug | Sep | Jul | Aug | Sep | Jul | Aug | Sep |
| Payment overdue on Current Month * | 4,003 | 3,134 | 3,933 | 4,260 | 3,309 | 4,151 | 257 | 175 | 218 |
| Payment overdue for 1 Month | 2,573 | 2,575 | 2,314 | 2,228 | 2,541 | 2,391 | -345 | -34 | 77 |
| Payment overdue for 2 Months | 2,357 | 2,294 | 2,336 | 1,898 | 1,893 | 2,135 | -459 | -401 | -201 |
| Payment overdue for 3 Month | 2,250 | 2,113 | 2,043 | 1,691 | 1,633 | 1,682 | -559 | -480 | -361 |

*Payment Past Due Current Month･･･Uncollected payment amount at the end of first 30 days of collection period.



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# Rakuten KC
# NPL & Expenses for Doubtful Accounts

(JPY mm)

| | | Jun/09 | Sep/09 | Dec/09 | Mar/10 | Jun/10 | Sep/10 |
|---|---|---|---|---|---|---|---|
| | Bunkrupt | 16 | 16 | 16 | 16 | 17 | 17 |
| | Defact bankrupt | 34,922 | 33,688 | 32,868 | 31,388 | 28,639 | 27,148 |
| | Doubtful | 8,329 | 8,588 | 6,729 | 6,005 | 5,438 | 5,607 |
| | Special attention | 6,391 | 5,452 | 4,582 | 4,693 | 4,520 | 4,387 |
| | Normal | 268,856 | 269,578 | 286,038 | 290,331 | 302,671 | 306,456 |
| Subtotal | | 318,514 | 317,322 | 330,233 | 332,433 | 341,285 | 343,615 |
| Secured | | 5,627 | 5,623 | 5,508 | 5,331 | 5,238 | 5,102 |
| Total | | 324,141 | 322,945 | 335,741 | 337,764 | 346,523 | 348,717 |
| Allowance Ratio | | 10.48% | 10.11% | 9.40% | 8.95% | 8.37% | 7.91% |
| | Excl. Write-off | 6.77% | 6.68% | 6.34% | 6.11% | 5.79% | 5.53% |
| Write off for Bad Debt | | 5,024 | 5,338 | 4,819 | 4,740 | 4,983 | 4,588 |
| Reserve for Bad Debt | | -70 | -438 | -306 | -652 | -600 | -820 |
| Allowance for doubtful accounts | | 33,964 | 32,638 | 31,561 | 30,228 | 28,996 | 27,578 |
| | Excl. Write-off | 21,952 | 21,561 | 21,284 | 20,636 | 20,064 | 19,285 |
| Expenses for doubtful accounts | | 4,007 | 4,025 | 3,738 | 3,403 | 3,743 | 3,143 |
| Write-off ratio（Quarter Base） | | 1.55% | 1.65% | 1.44% | 1.40% | 1.44% | 1.32% |



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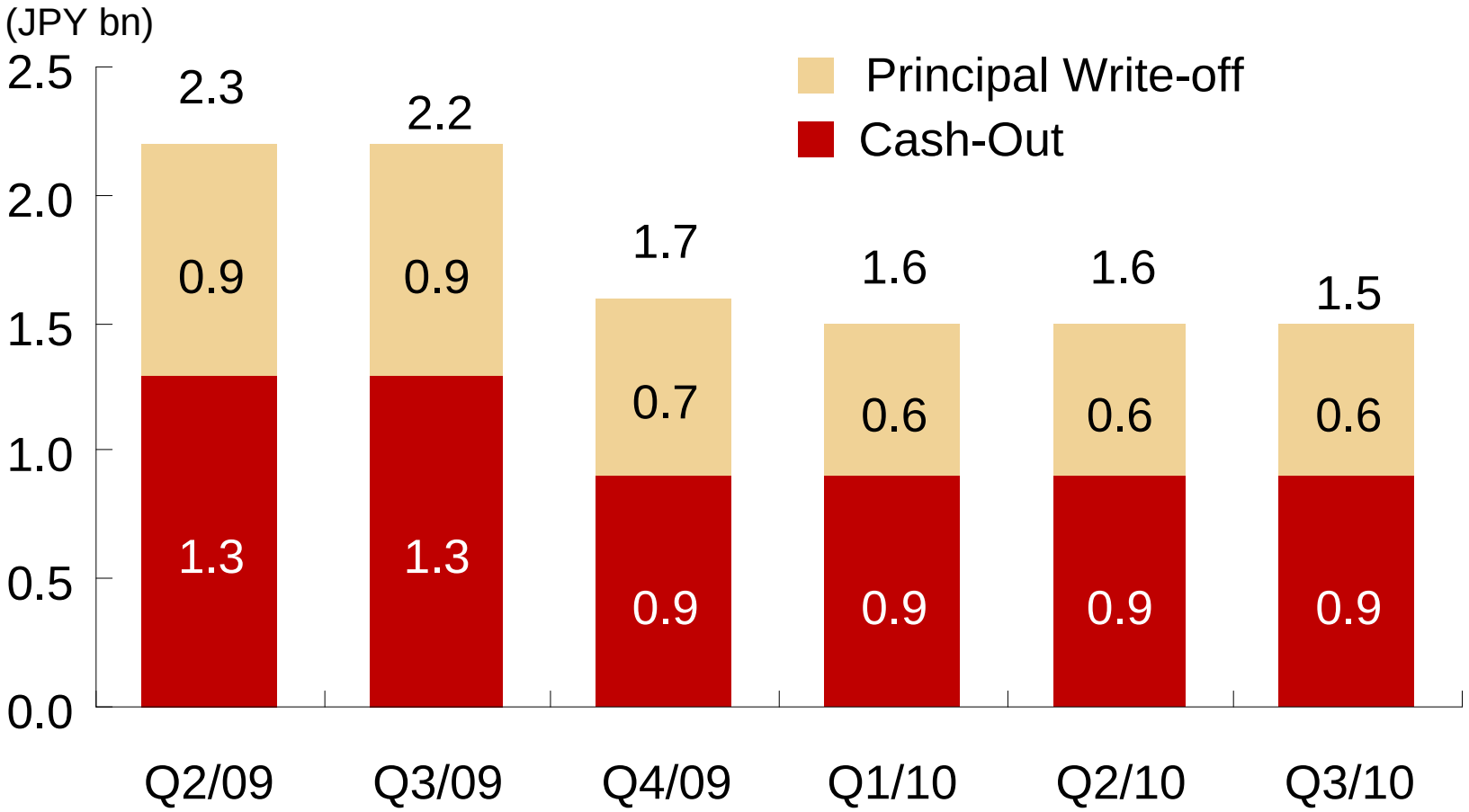
# Rakuten KC
# Interest Repayments Claims

- Interest repayments claims had no significant change despite of new regulation implementation.




* Amount of cash payment and write-off of principal. Any expenses related to interest repayments were not recorded on P/L since 08/Q1, because of the losses on interest repayments were reconciled with allowances



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# Rakuten KC Allowance for Losses on Interest Repayments and Allowance for Doubtful Accounts

- Slightly declined in both amount of cash out and write-off due to interest repayment claims

(JPY bn)

| | | Q2/09 | Q3/09 | Q4/09 | Q1/10 | Q2/10 | Q3/10 |
|---|---|---|---|---|---|---|---|
| Allowance for loss on interest repayments | 'Cash-Out' amount associated with interest repayment claims | 12.5 | 11.1 | 10.2 | 9.2 | 8.2 | 7.3 |
| | Write-offs of principal triggered by interest repayment claims | 12.0 | 11.0 | 10.2 | 9.5 | 8.9 | 8.2 |
| | Other allowance for doubtful accounts | 21.9 | 21.6 | 21.2 | 20.6 | 20.0 | 19.2 |
| Allowance for doubtful accounts total | | 33.9 | 32.6 | 31.5 | 30.2 | 28.9 | 27.5 |
| Allowance for loss on interest repayment | | 46.4 | 43.7 | 41.8 | 39.5 | 37.2 | 34.9 |

**Allowances relating to interest repayment claims**

**¥15.6B**

**2.5years worth of annualized losses*1**

## Payments and write-offs relating to interest repayment claims*2

(JPY bn)

| | Q2/09 | Q3/09 | Q4/09 | Q1/10 | Q2/10 | Q3/10 |
|---|---|---|---|---|---|---|
| Cash-Out | 1.3 | 1.3 | 0.9 | 0.9 | 0.9 | 0.9 |
| Write-offs | 0.9 | 0.9 | 0.7 | 0.6 | 0.6 | 0.6 |
| Total losses relating to interest repayment claims | 2.3 | 2.2 | 1.7 | 1.6 | 1.6 | 1.5 |

*1 Allowances relating to interest repayment claims / (cash out and write-offs relating to interest repayment claims in the most recent quarter x 4)

*2 Any expenses related to interest repayments were not recorded since 08/Q1 , because the losses on interest repayments are reconciled with allowances



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# Rakuten Bank Profit and Loss

(JPY mm)

| | Q2/09 | Q3/09 | Q4/09 | Q1/10 | Q2/10 | Q3/10 |
|---|---|---|---|---|---|---|
| Settlement | 1,222 | 1,229 | 1,217 | 1,644 | 1,554 | 1,430 |
| Card | 21 | 282 | 405 | 483 | 400 | 309 |
| Financial products | 484 | 470 | 480 | 488 | 632 | 503 |
| Others | -8 | 23 | 47 | 95 | 148 | 268 |
| 1. Income (loss) from commission | 1,720 | 2,005 | 2,150 | 2,711 | 2,735 | 2,512 |
| 2. Income (loss) from investment | 966 | 1,302 | 1,510 | 1,567 | 1,519 | 1,367 |
| 3. Operating expenses | 2,766 | 2,835 | 2,808 | 2,962 | 3,206 | 3,004 |
| **Basic profit[*1] (exc. loan)** | **-79** | **472** | **853** | **1,316** | **1,047** | **875** |
| **Basic profit (loan)** | **275** | **336** | **452** | **31** | **188** | **436** |
| **Total basic profit (A)** | **196** | **809** | **1,305** | **1,347** | **1,236** | **1,312** |
| **Non-basic profit[*2] (B)** | **-164** | **-1,380** | **59** | **-407** | **-127** | **-1,167** |
| **Ordinary profit (A+B)** | **31** | **-571** | **1,365** | **939** | **1,108** | **144** |
| Consolidated adjustments[*3] | 487[*4] | 1,280[*5] | -124[*6] | -465[*7] | -495[*8] | -435[*9] |

*1:Basic profit = Income or loss deducted Income (loss) due to changes in market price or sales of investment products. Income or loss due to main business of Rakuten Bank instead if temporary income (loss) such as investment

*2:Non-basic profit = Income or loss due to changes in market price or sales of investment products

*3:Diffrence between ordinary profit of Rakuten Bank (consolidated) and operating profit of Banking Segment of Rakuten Consolidated.

*4:Q2/09 Consolidated adjustments=Amortization of goodwill -300mm, adjustment due to difference in book value of securities 370mm, Internal elimination and other adjustments 420mm

*5:Q3/09 Consolidated adjustments=Amortization of goodwill -290mm, adjustment due to difference in book value of securities 940mm, Internal elimination and other adjustments 620mm

*6:Q4/09 Consolidated adjustments=Amortization of goodwill -270mm, adjustment due to difference in book value of securities 40mm, Internal elimination and other adjustments 100mm

*7:Q1/10 Consolidated adjustments=Amortization of goodwill -280mm, adjustment due to difference in book value of securities and other -180mm

*8:Q2/10 Consolidated adjustments=Amortization of goodwill -420mm, adjustment due to difference in book value of securities and other -70mm

*9:Q3/10 Consolidated adjustments=Amortization of goodwill -435mm



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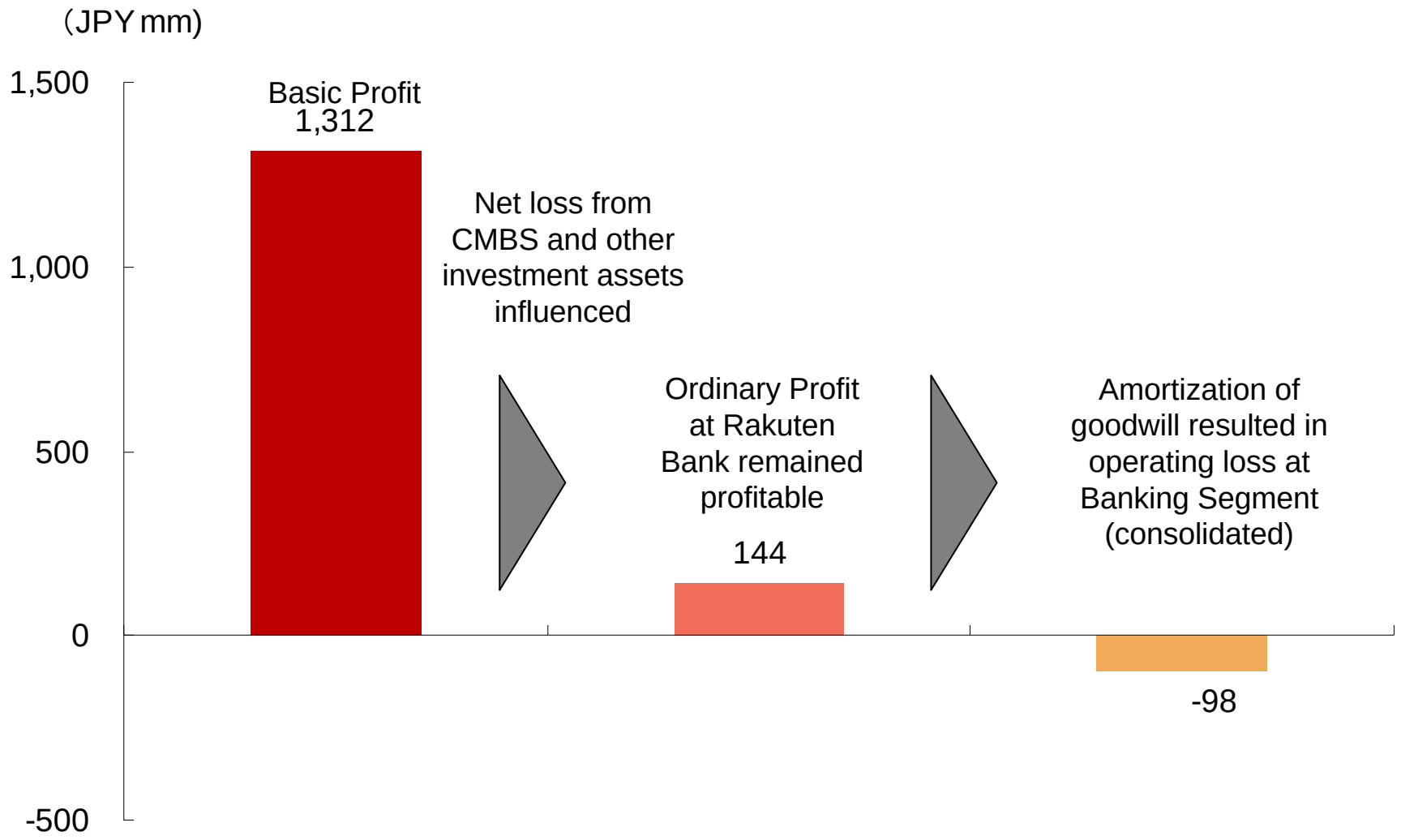
# Banking Segment (consolidated basis)



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# Rakuten Bank Assets and Deposits (non-consolidated basis)

| (JPY bn) | Dec 31 2009 Market Value | Sep 30 2010 Market Value | Changes in Market Value from Dec/09 to Sep/10 | Allowances (as of Sep 30 2010) | Unrealized gains and losses (Rakuten consolidated) | Unrealized gains and losses (Rakuten Bank standard) |
|---|---|---|---|---|---|---|
| **JGB, Local government bonds, Corporate bonds** | 358.9 | 316.1 | −42.8 | 0.0 | 4.2 | 7.4 |
| JGB(Japanese Government Bonds | 213.1 | 154.9 | −58.1 | − | 3.3 | 6.8 |
| Others*1 | 145.8 | 161.1 | 15.3 | 0.0 | 0.9 | 0.5 |
| **Loan Receivables** | 95.1 | 113.1 | 18.0 | 1.0 | − | − |
| **Stocks** | 1.4 | 0.4 | −0.9 | − | 0.0 | −0.0 |
| **ABS (securitised loan recrivables)** | 173.5 | 187.1 | 13.6 | 0.0 | 0.4 | 0.5 |
| **Funds** | 9.4 | 7.5 | −1.8 | − | 0.1 | 0.1 |
| Hedge funds (FOF) | 5.7 | 4.0 | −1.6 | − | −0.0 | 0.0 |
| Others | 3.7 | 3.5 | −0.1 | − | 0.1 | 0.1 |
| **ABS (Real estate products)** | 30.1 | 17.4 | −12.6 | 1.2 | −0.1 | −0.5 |
| Private funds*2 | 13.4 | 6.7 | −6.6 | 1.2 | −0.1 | −0.1 |
| CMBS (with market value) | 16.7 | 10.7 | −6.0 | − | −0.0 | −0.4 |
| **CDO** | 3.9 | 4.6 | 0.6 | − | 0.0 | 0.0 |
| **Total** | 672.6 | 646.6 | −26.0 | 2.3 | 4.6 | 7.5 |

*1 JGB, Local government bonds, Corporate bonds include government-guaranteed bonds, etc
*2 Some of funds have been valuated at market value since April 1, 2010

| (JPY bn) | Dec 31 2009 | Sep 30 2010 | Changes |
|---|---|---|---|
| **Deposit Balance*1** | 701.7 | 705.7 | 3.9 |
| Ordinary Deposits | 285.7 | 304.2 | 18.4 |
| Time Deposits | 350.2 | 330.9 | −19.2 |
| Other deposits*2 | 65.7 | 70.5 | 4.7 |

*1 Deposits on Rakuten Bank non-consolidated basis
*2 Other deposits include deposits in foreign currency and others



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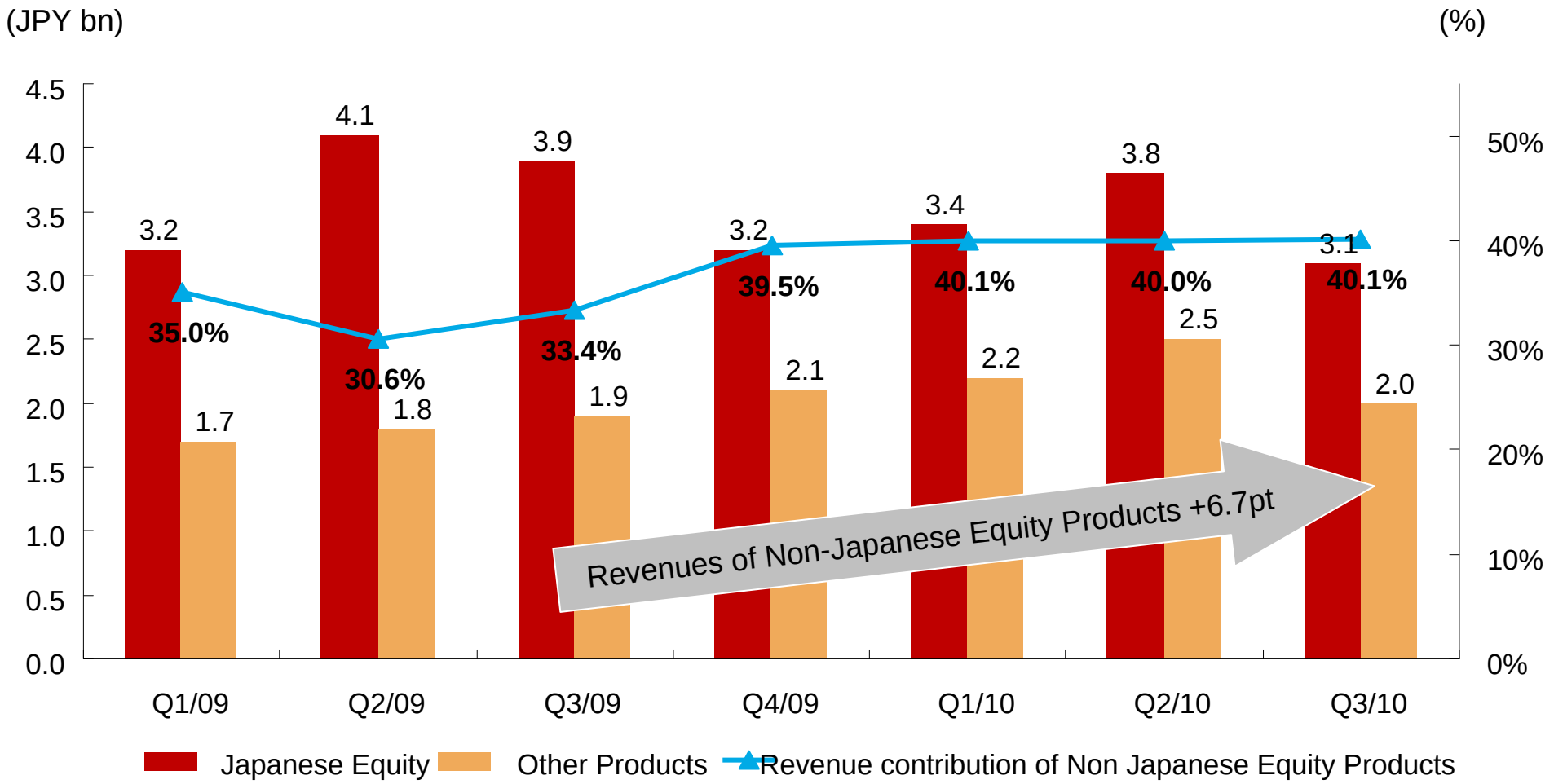
# Rakuten Securities Quarterly Change in Revenues of Non-Japanese Equity Products

- Non-Japanese Equity products contributed to over 40% of the Revenue



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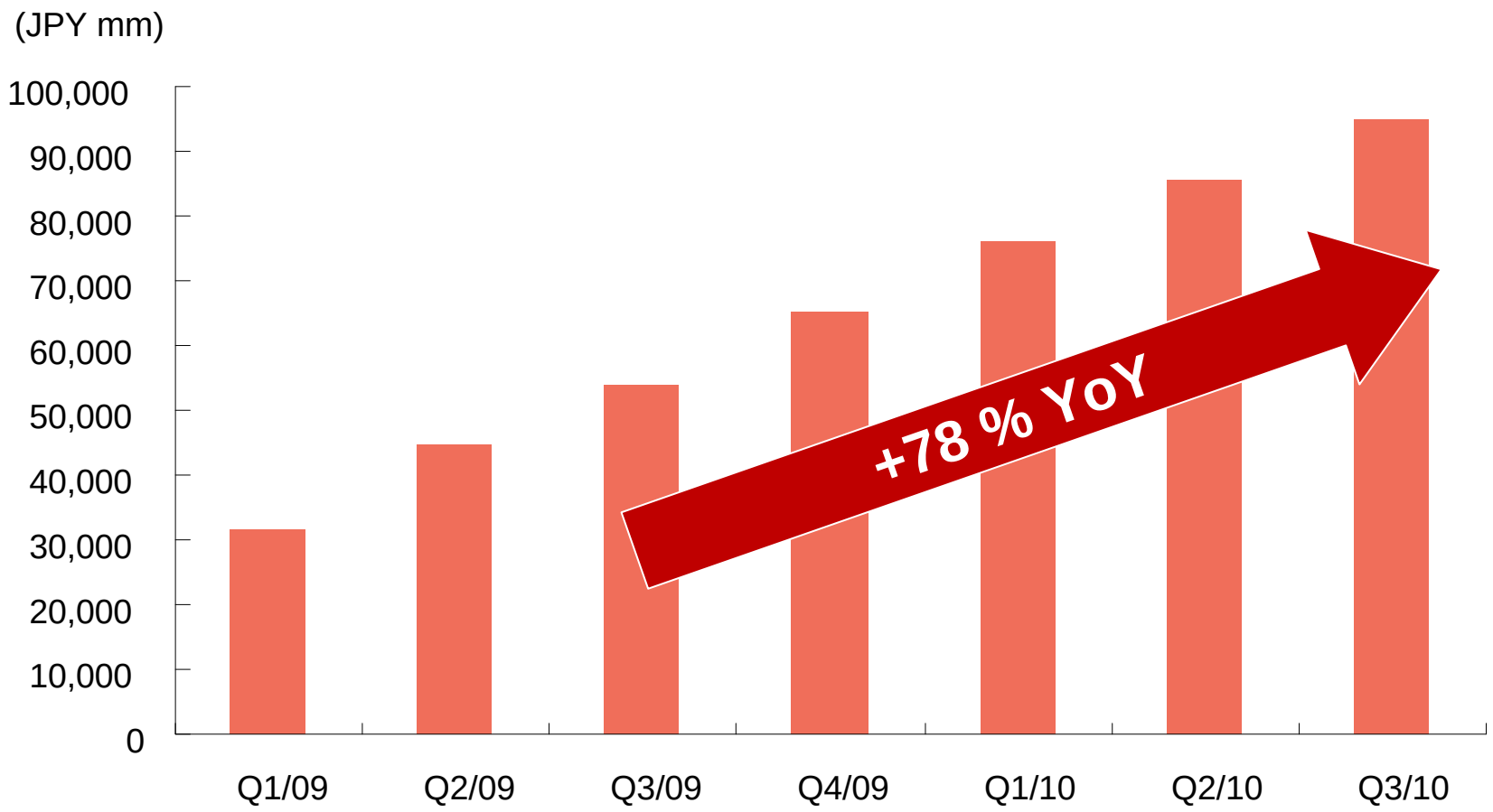
# Quarterly change in Net Assets of Investment Trusts

- Net assets : +78.0%YoY



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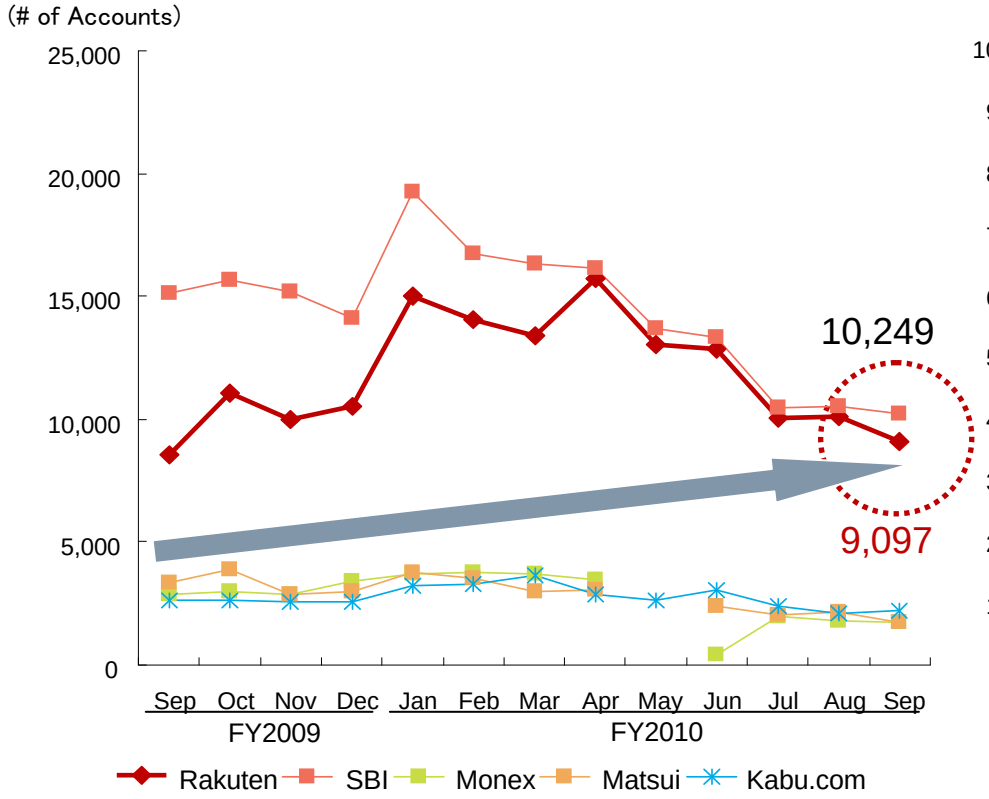
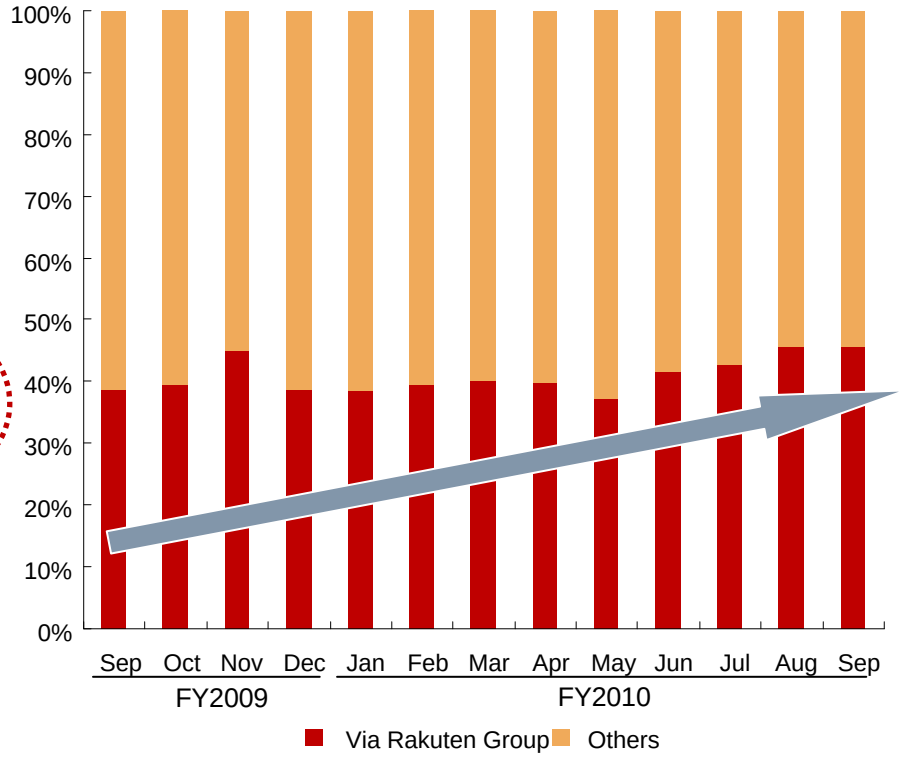
# Rakuten Securities New Accounts / Ratio of Application via Rakuten Group

- Close to SBI in number of monthly new accounts
- Acquired over 45% of new accounts via Rakuten Group Services

Monthly new accounts at major online brokers *1




% of new accounts from Rakuten group *3




*1: Matsui: N/A as of may FY2010. Monex: N/A as of May FY2010 due to merger with Orix

*2: Source; disclosed data by each company

*3: Source: Rakuten Securities



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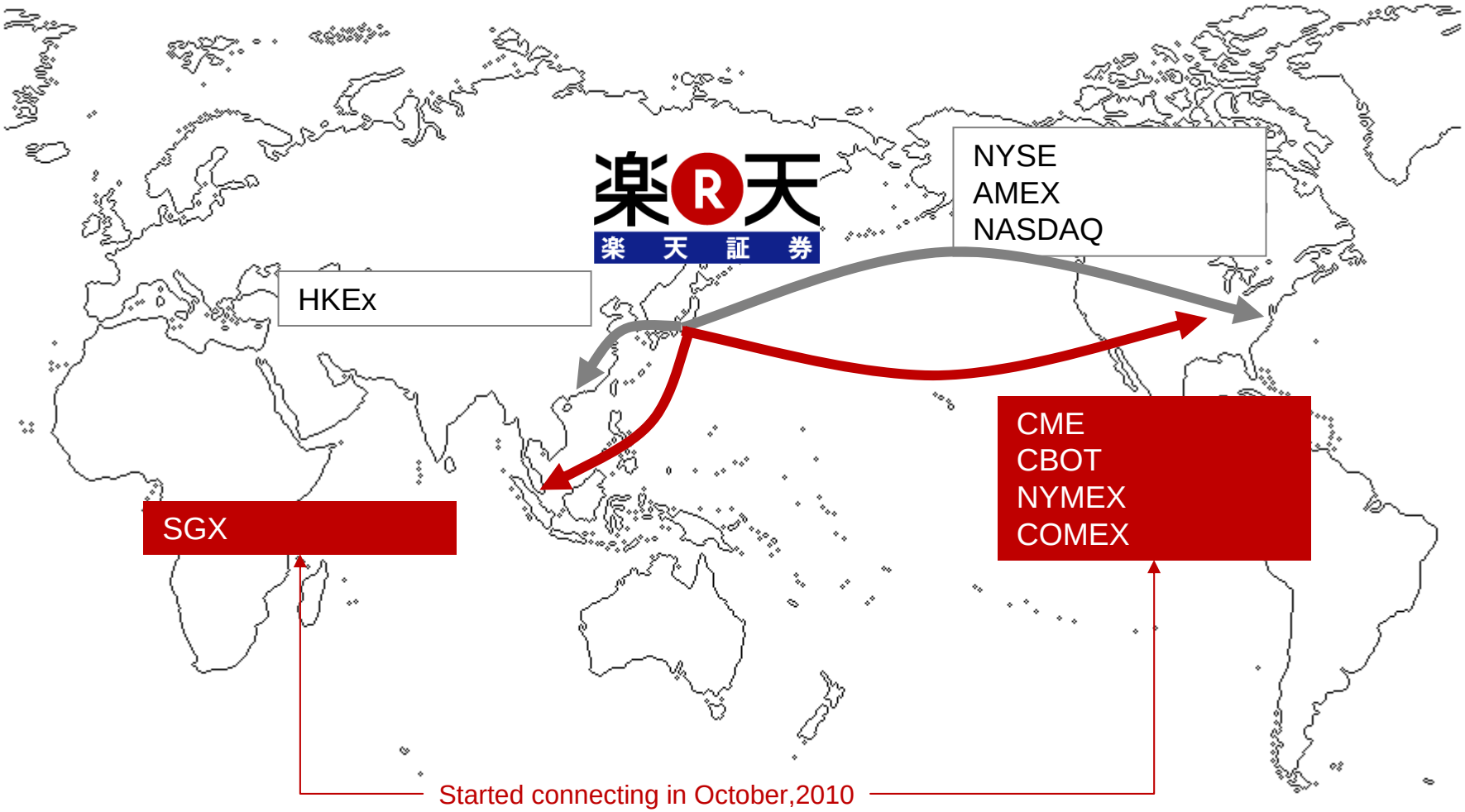
# Expanded Overseas Products

- **Started connecting to CME & SGX to provide global indices futures & commodities futures**



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# Fusion Communications Highlights of 2010/Q3

- **Stable Operating Profit**
  - OP achieved JPY 234 mm on a non-consolidated basis
- **Next Generation Communication Services**
  - Expand FUSION IP-Phone with Asterisk
    - IP-Phone sales for call centers are growing
    - Launched new services with Asterisk
  - Integration of Telephony and Internet
    - Telephony service support led to GTV growth of Rakuten Travel
- **Accelerate New Services**
  - “Rakuten Broadband”
    - New contracts growth: +293.9%YoY
  - “Rakuten Mobile for Business”
    - Promoting it with an overwhelming price advantage over fixed line



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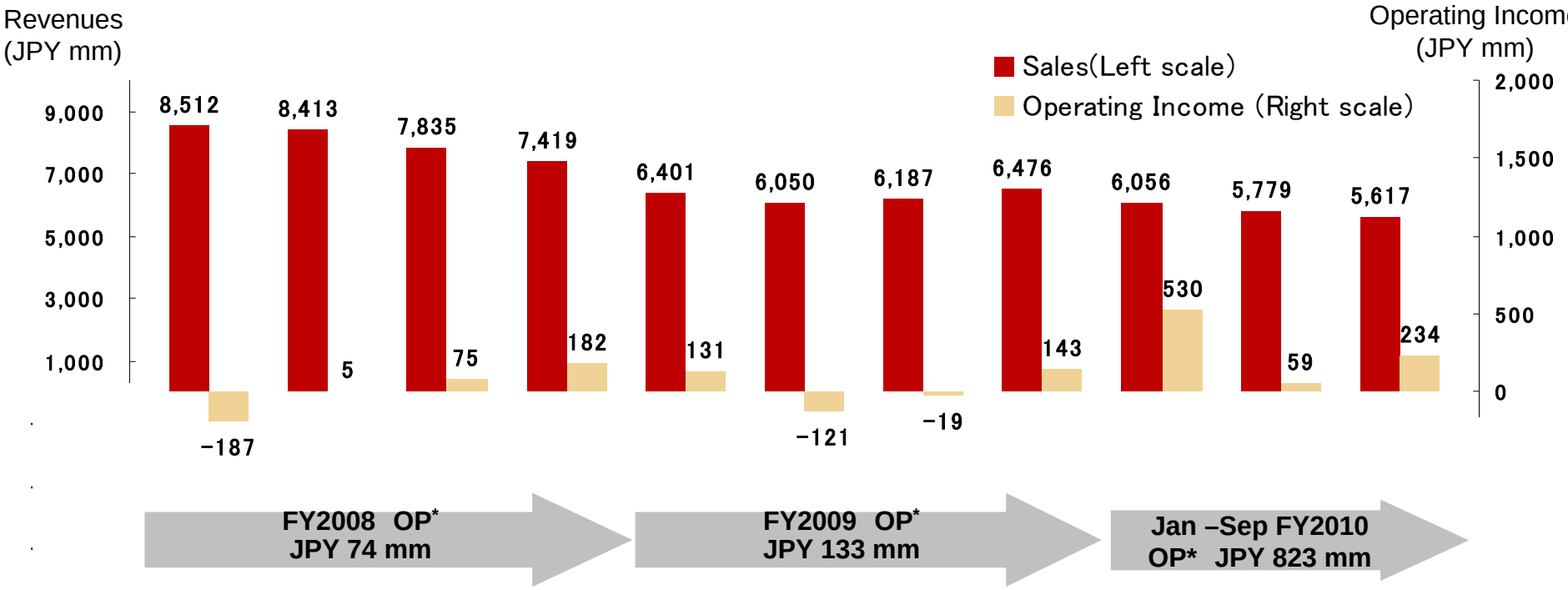
# Fusion Communications (Non-consolidated) Quarterly Results

Rakuten

## Earnings steadily improved for nine months ended September YoY




(JPY mm)

| | Q1/08 | Q2/08 | Q3/08 | Q4/08 | Q1/09 | Q2/09 | Q3/09 | Q4/09 | Q1/10 | Q2/10 | Q3/10 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Operating expenses | 8,699 | 8,408 | 7,761 | 7,238 | 6,270 | 6,172 | 6,485 | 6,333 | 5,526 | 5,720 | 5,382 |
| Variable cost | 4,611 | 4,296 | 4,046 | 3,792 | 3,279 | 3,656 | 4,071 | 4,007 | 3,310 | 3,628 | 3,402 |
| Fixed cost | 3,354 | 3,384 | 3,023 | 2,767 | 2,331 | 1,904 | 1,691 | 1,633 | 1,561 | 1,398 | 1,346 |
| SG&A | 734 | 728 | 692 | 678 | 660 | 612 | 723 | 694 | 655 | 694 | 635 |

* Before accounting adjusting (amortization of goodwill included)



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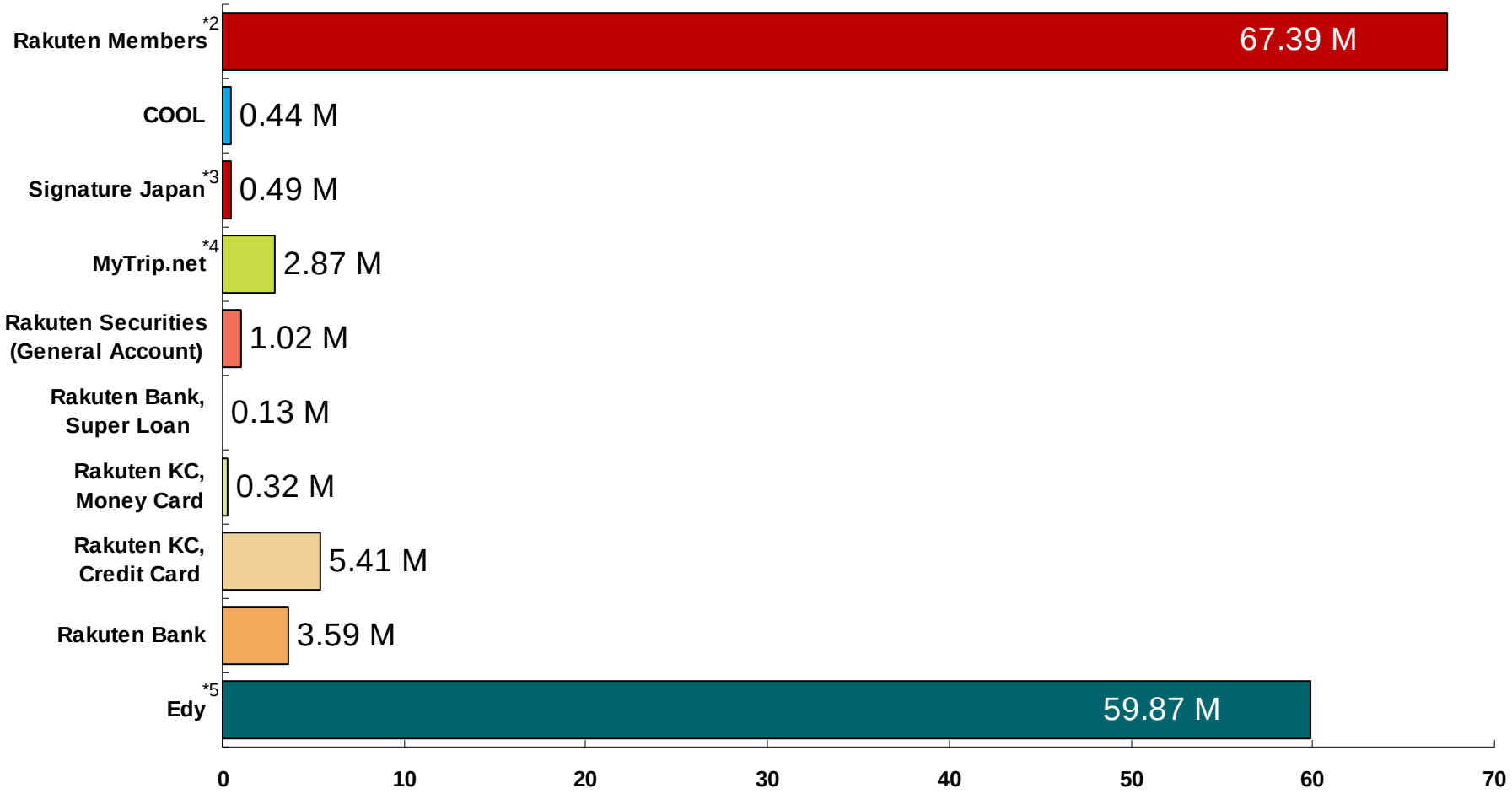
# Group Membership*1




*1 Figures include members using duplicate services
*2 Rakuten Members excluding non-active users (who never use any Rakuten services) are 42.77M
*3 Excluding automatically registered card members
*4 MyTrip.net members exclude members converted into Rakuten ID
*5 Including mobile and cards



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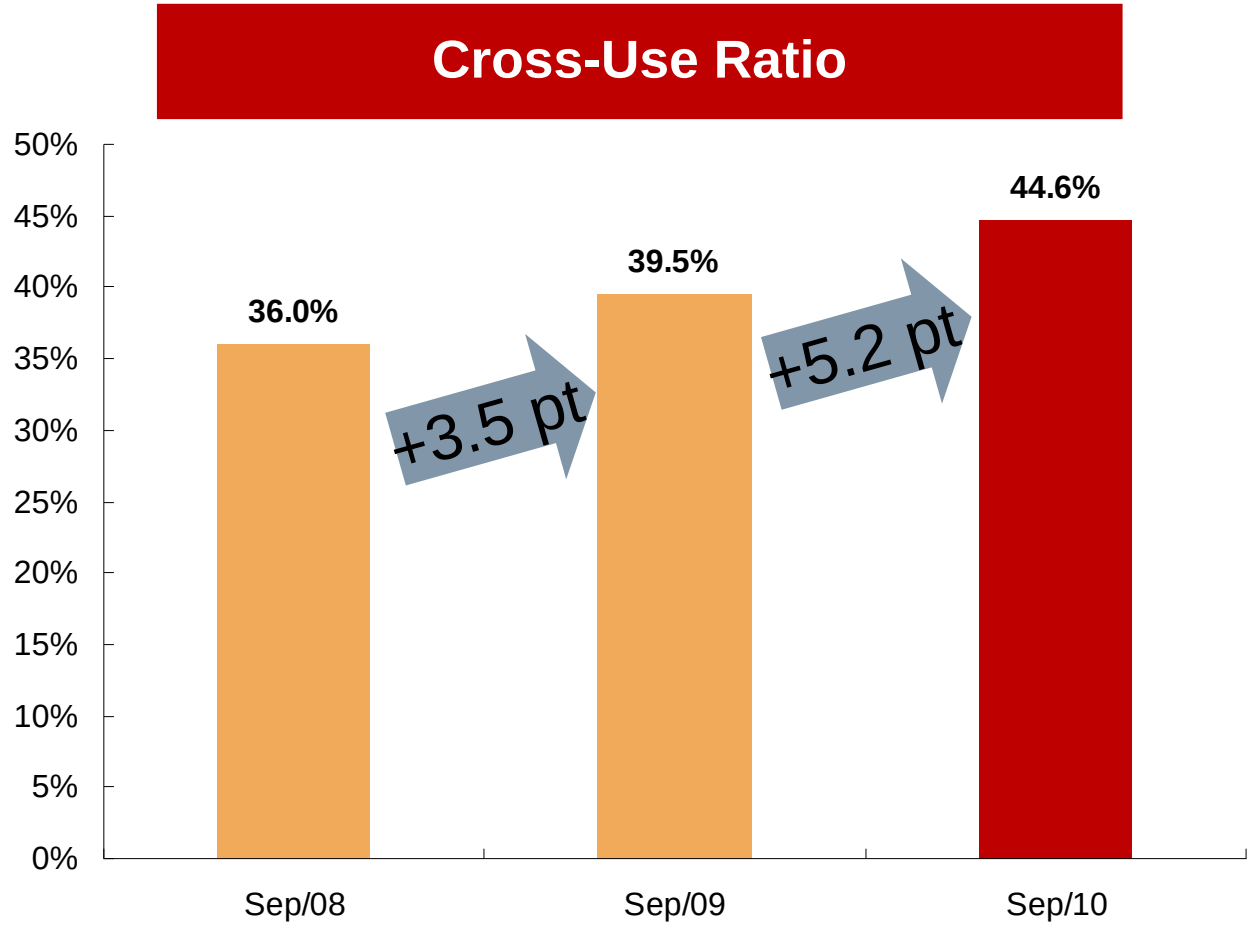
# Enhanced Cross-use Ratio

- Accelerated due to group synergy




* Purchasing ratio of Rakuten members who have utilized other Rakuten services during the past 12 months of the listed month.
* Applicable services are limited to those which can earn Rakuten Super Points (excl. Securities)



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The end of presentation

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