

Annual Financial Report (Consolidated) for the First Quarter of Fiscal 2010

Rakuten, Inc.
May 13, 2010

Company Name	Rakuten, Inc.	Listed	JASDAQ (Japan)
Code No	4755	URL	http://www.rakuten.co.jp/
Representative	(Title) Chairman and CEO	(Name)	Hiroshi Mikitani
Contact person	(Title) CFO Director	(Name)	Ken Takayama
Scheduled date of filing the securities report			TEL +81-3-6387-0555 May 14, 2010

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

1. Consolidated Results for the Three Months Ended Mar. 31 of Fiscal 2010 (Jan. 1, 2010 through Mar. 31, 2010)

(1) Consolidated Operating Results

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

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Three months ended Mar. 31, 2010	79,192	19.3	12,986	32.2	12,640	38.6	6,820	-73.0
Three months ended Mar. 31, 2009	66,364	—	9,825	—	9,120	—	25,218	—

	EPS (Earning per Share)	EPS (Earning per Share Diluted)
	Yen	Yen
Three months ended Mar. 31, 2010	520.73	518.71
Three months ended Mar. 31, 2009	1,927.03	1,920.48

(2) Consolidated Financial Position

	Total assets	Net Assets	Equity Ratio	Book-value per Share
	Millions of Yen	Millions of Yen	%	Yen
As of Mar. 31, 2010	1,853,325	229,261	11.4	16,195.87
As of Dec. 31, 2009	1,759,236	218,619	11.6	15,527.21

(Reference) Shareholders'equity:212,155million yen (year ended Mar. 31, 2010); 203,344 million yen (year ended Dec. 31, 2009)

2. Dividend Distribution

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

3. Forecast of Consolidated Operating Results for Fiscal 2010 (Jan. 1, 2010 through Dec. 31, 2010)

Rakuten and its group businesses do not disclose earnings forecasts as its business operations include an Internet service business and a securities brokerage business, both of which are characterized by high volatility and uncertainty with regards to results. This precludes us from making earnings forecasts.

4. Other

- (1) Significant changes in scope of consolidation: Yes New subsidiary: 1 (bitWallet, Inc.)
- (2) Adoption of simplified accounting procedures: No
- (3) Changes to consolidated accounting rules and procedures concerning the preparation and presentation of the financial statements (major items that provide the basis for preparing financial statements)
Changes in accounting policy : Yes
Other changes: None
- (4) Number of shares issued (Common stock)
 1. Common stock (including treasury stock)
13,100,310 shares (Mar. 31, 2010)
13,096,680 shares (Dec. 31, 2009)
 2. Treasury stock
979 shares (Mar. 31, 2010)
979 shares (Dec. 31, 2009)
 3. Average number of shares issued during the 1st Quarter Fiscal 2009 (Jan. 1 through Mar. 31, 2009)
13,097,625 shares (Jan. 1 through Mar. 31, 2010)
13,086,562 shares (Jan. 1 through Mar. 31, 2009)

Qualitative Information, Financial Statements, etc.

1. Qualitative Information Concerning Consolidated Business Results

(1) The First Quarter Consolidated Business Results

In the first quarter (January 1–March 31, 2010) of fiscal 2010 (ended December 31, 2010), the Japanese economy showed some movement toward a recovery in business earnings and personal consumption. But despite these positive trends, severe conditions such as high unemployment remained.

On the other hand, changes have been taking place in consumer purchasing behavior. The trend toward e-commerce use is strengthening as shoppers increasingly make purchases on the Internet and through mobile devices, thereby taking advantage of the great convenience for making purchases and ease of product and price comparisons versus off-line stores.

According to *Research in IT Utilization in Japan 2008*, a report published by the Ministry of Economy, Trade, and Industry on October 14, 2009, domestic business-to-consumer (B2C) e-commerce (includes consumer e-commerce transactions and retail sector only, service sector is excluded) has been expanding at a healthy pace, growing 14.8% in 2008 to ¥2.933 trillion.

In this environment, the Rakuten Group carried out policies and conducted sales promotion initiatives aimed at boosting customer satisfaction and growing the user base, which allowed the E-Commerce and Travel Businesses to sustain high growth in the value of gross transactions and bookings. The group also moved to leverage group synergies by promoting cross-use of services, such as linking Rakuten Member IDs with Members' Rakuten Bank accounts.

As a result, the E-Commerce, Travel and Portal and Media Businesses all achieved the first quarter year-on-year sales growth rates in excess of 20%, bringing in yet another quarter of increased revenues and earnings. Similarly, financial services made large increases in profitability as last year's restructuring of business operations in the Banking Business bore fruit. In the Securities Business, both earnings and revenues grew, largely due to a successful effort to diversify the segment's earnings base. As a result of the above, Rakuten achieved net sales of ¥79,192 million (up 19.3% year on year), operating income of ¥12,986 million (up 32.2% year on year), and ordinary income of ¥12,640 million (up 38.6% year on year) in its consolidated the first quarter results.

However, in the same period, Rakuten recorded net income of ¥6,820 million, down 73.0% as the company fell back from the high ¥25,218 million figure from the first quarter of the previous fiscal year, which was created by recording ¥22,713 million of deferred tax assets in that quarter.

(2) Business Segment Overview

Due to the inclusion of bitWallet Inc. as a consolidated subsidiary in the first quarter, we have created an E-Money Business. In light of the above, we present the state of individual segments for the first quarter of fiscal 2010 (ending December 31, 2010).

E-Commerce Business

The E-Commerce (EC) Business expanded its product lineup and continued to acquire merchants in undeveloped genres and regions with the aim of raising customers' satisfaction in the segment's flagship business, the Rakuten Ichiba Internet shopping mall. The segment continued its sales promotion initiatives to increase frequency of purchases and held on-site events centering on department stores. Rakuten Books sought to expand its customer base a free delivery service. These activities allowed the first quarter gross transaction volume, including Rakuten Books, to sustain its rapid growth, bringing a 19.3% year-on-year performance based on value. This resulted in strong growth of net sales to ¥31,455 million (up 24.8% year on year) and operating income of ¥8,844 million (up 14.6% year on year).

Also, a joint venture was set up with Baidu, Inc., the world's largest Chinese-language search site, for an Internet shopping mall business in China. Start of service is expected in the second half of 2010.

Credit Card Business

Supported by an increase in new members and associated firm growth in shopping-related revenues, the Credit Card Business Segment achieved ¥14,915 million in net sales (up 6.7% year on year) in the first quarter. However, marketing

expenses resulting from strong efforts to capture new members in the strategic Rakuten Card service held down operating income to ¥86 million (down 90.4% year on year).

E-Money Business

With the addition of bitWallet as a consolidated subsidiary in the first quarter, under penetration of e-money and promotional activities led to steady growth of total transactions in the Edy e-money service operated by bitWallet and a net sales result of ¥1,161 million. However, the segment could not make up for its expenditures on sales promotions and developing available merchants, and thus recorded an operating loss of ¥191 million.

Since this segment was established in this quarter, comparisons with previous fiscal years are not available.

Banking Business

The Banking Business took advantage of a review of business operations that started last fiscal year to show large growth in interest income through restructuring investment assets portfolio. The segment also increased service revenue on fees and commissions by revising its fee structure for existing services. As a result, the first-quarter net sales grew 23.5% year on year to ¥8,288 million, enabling operating income to recover from a ¥503 million loss in the first quarter of the previous fiscal year to a positive ¥540 million in the quarter under review.

Portal and Media Business

The Portal and Media Business achieved the first-quarter net sales of ¥5,487 million (up 60.2% year on year) and operating income of ¥760 million (up 159.9% year on year). This was due to steady growth in advertising revenue from existing businesses as well as the addition of pay-per-view content provider SHOWTIME, Inc. as a consolidated subsidiary at the end of the first quarter of the previous fiscal year.

Travel Business

The ANA Raku Pack dynamic package tour was well-received by users in the first quarter due to its high convenience, leading to increased bookings for leisure travel. Additionally, the slump in business travel following the financial crisis has started to recovery. As a result, gross booking transaction value grew 24.4% in the first quarter over the same period in the previous year. As a result, net sales grew 20.7% year on year to ¥5,006 million, and operating income rose 14.2% year on year to ¥2,070 million.

Securities Business

The Securities Business recorded ¥5,964 million in the first-quarter net sales (up 12.8% year on year). The main contribution came from increased revenues from foreign currency margin trading, while the domestic stock market showed signs of a recovery compared with the first quarter of the previous year. By keeping down costs, the segment was able to lift operating income by 168.8% to ¥1,204 million.

Professional Sports Business

The first-quarter net sales in the Professional Sports Business grew by 24.2% year on year to ¥883 million. However, there was an operating loss of ¥1,199 million, compared with a loss of ¥1,185 million for the same quarter in the previous fiscal year. This is in line with results for the few official baseball games.

Telecommunications Business Segment

The Telecommunications Business saw a 12.6% drop in net sales in the first quarter to ¥6,029 million in the tough environment. However, by reducing fixed costs and through one-time adjustment of interconnection charges with other carriers, the segment could end the quarter with a strong 135.1% year-on-year increase in operating income to ¥530 million.

2. Qualitative Information Pertaining to the Consolidated Financial Position

(Assets)

Total assets as of March 31, 2010, amounted to ¥1,853,325 million. This represents an increase of ¥94,088 million from the ¥1,759,236 million as of December 31, 2009. Major contributors to this growth included a ¥25,664 million increase in cash and deposits at Rakuten KC, a ¥16,563 million increase in negotiable certificates of deposit and other marketable securities as well as ¥10,943 million increase in margin transaction assets with recovery of stock markets.

(Liabilities)

Total liabilities as of March 31, 2010, amounted to ¥1,624,063 million, an increase of ¥83,446 million over the ¥1,540,617 million as of December 31, 2009. The main factors were a ¥45,930 million increase in short-term loans payable by amending a commitment line for Rakuten KC and a ¥16,900 million increase in commercial paper obligations, partially offset by a ¥6,817 million decrease in long-term loans payable due to repayments and other factors.

(Net Assets)

Net assets amounted to ¥229,261 million as of March 31, 2010. This represents an increase of ¥10,641 million from the ¥218,619 million as of December 31, 2009. Shareholders' equity increased ¥5,560 million due to net income of ¥6,820 million in the first quarter of fiscal 2010, and other factors.

3. Cash Flows

Cash and cash equivalents at the end of the first quarter of fiscal 2010 was ¥145,485 million, an increase of ¥41,867 million from the end of fiscal 2009.

In cash flows from operating activities for the first quarter, income before income taxes and minority interests provided ¥12,028 million in cash compared to ¥6,262 million for the same quarter in the previous fiscal year.

With the completion of last year's portfolio restructuring for financing and asset management at eBANK (renamed Rakuten Bank as of May 4, 2010), there was a net outflow resulting from decrease in deposits of ¥4,828 million (compared with a net outflow of ¥41,714 million for the same period in the previous fiscal year). On the other hand, a net inflow of ¥16,000 million was provided by decreased call loans for the banking business, compared with a ¥54,000 million net inflow for the same period in last fiscal year.

As a result of the above, net cash provided by operating activities before deduction of income taxes paid and other cash payments came to a net inflow of ¥8,571 million (compared with ¥13,937 million in the same quarter of the previous year). However, a ¥12,245 million net outflow of income taxes paid relating to the profit of previous fiscal year resulted a net outflow of ¥4,953 million from operating activities in the first quarter of fiscal 2010 compared with a net inflow of ¥2,917 million in the same quarter of the previous year.

In cash flows from investment activities, there was a ¥104,826 million cash acquisition of securities in the banking business (compared with a ¥225,647 million net outflow for the same quarter in the previous fiscal year) as the changes from eBANK's portfolio restructuring in the previous fiscal year took effect. On the other hands, proceeds from sales and redemptions of securities for the banking business provided ¥92,696 million in cash in the first quarter (compared with ¥346,244 million provided in the first quarter of the previous year). For the first quarter of fiscal 2010, net cash used in investment activities came to a net outflow of ¥1,512 million, compared with a ¥114,965 million inflow in the first quarter of the previous fiscal year.

In cash flows from financing activities, renewal of a commitment line of Rakuten KC caused short-terms loan payable to change to an increase (net inflow) of ¥46,276 million from a decrease (net outflow) of ¥21,398 million in the first quarter of the previous fiscal year. On the other hand, repayment of long-term loans payable was ¥22,963 million, compared with ¥73,988 million in the same quarter of the previous year. Overall, net cash provided by financing activities came to a net inflow of ¥48,243 million, a reversal from the ¥78,842 million net outflow of the first quarter in the previous fiscal year.

4. Qualitative Information about Consolidated Business Forecasts

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

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

5. Fiscal Year 2010 Financial Results

(1) Consolidated Balance Sheets

(Million Yen)

	As of Mar. 31, 2010	As of Dec. 31, 2009
(Assets)		
Current assets		
Cash and deposits	121,898	96,233
Notes and accounts receivable-trade	36,585	37,842
Accounts receivable-installment	105,449	93,111
Accounts receivable-installment sales-credit guarantee	2,719	2,833
Beneficial interests in securitized assets	27,750	41,774
Cash segregated as deposits for securities business	223,078	223,908
Margin transaction assets for securities business	130,003	119,060
Operating loans	184,434	177,806
Short-term investment securities	34,577	18,014
Securities for banking business	528,214	524,379
Loans and bills discounted for banking business	96,691	92,876
Deferred tax assets	13,733	13,680
Other	124,985	114,682
Allowance for doubtful accounts	(35,909)	(42,078)
Current assets	1,594,211	1,514,125
Noncurrent assets		
Property, plant and equipment	21,106	19,524
Intangible assets		
Goodwill	86,986	87,047
Other	36,289	33,481
Intangible assets	123,275	120,528
Investments and other assets		
Investment securities	64,901	59,314
Deferred tax assets	24,554	26,135
Other	28,438	23,990
Allowance for doubtful accounts	(3,163)	(4,380)
Investments and other assets	114,731	105,058
Noncurrent assets	259,113	245,111
Assets	1,853,325	1,759,236
(Liabilities)		
Current liabilities		
Notes and accounts payable-trade	24,429	28,231
Accounts payable-credit guarantee	2,719	2,833
Commercial papers	35,500	18,600
Short-term loans payable	195,666	149,736
Deposits for banking business	693,524	698,353
Current portion of bonds	2,560	4,246
Income taxes payable	5,656	12,564
Deferred tax liabilities	3,271	3,159
Deposits received for securities business	139,447	142,599
Margin transaction liabilities for securities business	60,786	59,015
Guarantee deposits received for securities business	87,847	89,122
Provision	14,795	12,317
Other	191,732	146,262
Current liabilities	1,457,939	1,367,044

(Million Yen)

	As of Mar. 31, 2010	As of Dec. 31, 2009
Noncurrent liabilities		
Bonds payable	18,873	18,987
Long-term loans payable	131,515	138,332
Deferred tax liabilities	251	460
Provision for loss on interest repayment	9,278	10,275
Other provision	432	356
Other	3,030	2,420
Noncurrent liabilities	163,381	170,833
Reserves under the special laws		
Reserve for financial products transaction liabilities	2,731	2,728
Reserve for commodities transaction liabilities	11	11
Reserves under the special laws	2,742	2,739
Liabilities	1,624,063	1,540,617
(Net assets)		
Shareholders' equity		
Capital stock	107,630	107,605
Capital surplus	115,924	115,899
Retained earnings	(14,899)	(20,410)
Treasury stock	(11)	(11)
Shareholders' equity	208,643	203,083
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	4,975	1,841
Deferred gains or losses on hedges	(265)	(305)
Foreign currency translation adjustment	(1,198)	(1,274)
Valuation and translation adjustments	3,511	261
Subscription rights to shares	713	608
Minority interests	16,392	14,666
Net assets	229,261	218,619
Liabilities and net assets	1,853,325	1,759,236

(2) Consolidated Income Statements

(Million Yen)

	Three months ended Mar. 31, 2009	Three months ended Mar. 31, 2010
Net sales	66,364	79,192
Cost of sales	16,920	17,826
Gross profit	49,444	61,365
Selling, general and administrative expenses	* 1 39,619	* 1 48,378
Operating income	9,825	12,986
Non-operating income		
Interest income	27	31
Dividends income	11	14
Foreign exchange gains	15	—
Equity in earnings of affiliates	151	194
Other	71	174
Non-operating income	277	414
Non-operating expenses		
Non-operating expenses	648	408
Commission fee	214	17
Foreign exchange loss	—	50
Other	118	283
Non-operating expenses	981	760
Ordinary income	9,120	12,640
Extraordinary income		
Reversal of provision for loss on business liquidation	389	—
Other	40	2
Extraordinary income	429	2
Extraordinary loss		
Loss on valuation of investment securities	735	—
Restructuring loss	694	—
Impairment loss	871	111
Expenses related to changing in business name	—	183
Other	986	319
Extraordinary loss	3,287	614
Income before income taxes and minority interests	6,262	12,028
Income taxes-current	4,312	5,272
Income taxes-deferred	(22,713)	(555)
Income taxes	(18,400)	4,716
Minority interests in income (loss)	(555)	491
Net income	25,218	6,820

(3) Consolidated Statements of Cash Flows

(Million Yen)

	Three months ended Mar. 31, 2009	Three months ended Mar. 31, 2010
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	6,262	12,028
Depreciation and amortization	3,497	3,822
Amortization of goodwill	1,191	1,655
Increase (decrease) in allowance for doubtful accounts	(2,451)	(1,836)
Increase (decrease) in provision for loss on interest repayment	(1,465)	(996)
Loss (gain) on valuation of securities for banking business	812	920
Loss (gain) on sales of securities for banking business	169	(8)
Other loss (gain)	2,486	(104)
Decrease (increase) in notes and accounts receivable-trade	2,564	1,500
Decrease (increase) in accounts receivable-installment	(1,239)	(12,338)
Decrease (increase) in beneficial interests in securitized assets	31,992	14,023
Decrease (increase) in operating loans receivable	(40,668)	(6,627)
Increase (decrease) in notes and accounts payable-trade	(2,915)	(3,818)
Increase (decrease) in accounts payable-other and accrued expenses	(4,949)	(4,383)
Increase (decrease) in advances received	1,686	2,320
Increase (decrease) increase in deposits for banking business	(41,714)	(4,828)
Decrease (increase) increase in call loans for banking business	54,000	16,000
Increase (decrease) in loans for banking business	—	(3,814)
Decrease (increase) in operating receivables for securities business	5,166	(11,947)
Decrease (Increase) In cash segregated as deposits for securities business	4,700	—
Decrease (increase) in operating receivables for securities business	(13,640)	(2,650)
Increase (decrease) in loans payable secured by securities for securities business	4,356	9,826
Other, net	4,093	(170)
Subtotal	13,937	8,571
Income taxes paid	(10,719)	(12,245)
Other, net	(300)	(1,279)
Net cash provided by (used in) operating activities	2,917	(4,953)
Net cash provided by (used in) investing activities		
Acquisition of securities for banking business	(225,647)	(104,826)
Proceeds from sales and redemption of securities for banking business	346,244	92,696
Proceeds from partial payment due to share purchase demand	—	8,875
Purchase of investments in subsidiaries	(701)	(588)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(1,170)	—
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	—	7,038
Purchase of property, plant and equipment	(1,202)	(1,040)
Purchase of intangible assets	(2,124)	(3,484)
Other payments	(1,622)	(616)
Other proceeds	932	284
Interest and dividends income received	256	150
Net cash provided by (used in) investing activities	114,965	(1,512)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(21,398)	46,276
Increase (decrease) in commercial papers	6,000	16,900
Proceeds from long-term loans payable	16,450	15,800
Repayment of long-term loans payable	(73,988)	(22,963)
Proceeds from issuance of bonds	—	200

(Million Yen)

	Three months ended Mar. 31, 2009	Three months ended Mar. 31, 2010
Redemption of bonds	(4,010)	(6,000)
Interest expenses paid	(633)	(378)
Proceeds from stock issuance to minority shareholders	388	41
Cash dividends paid	(1,200)	(1,236)
Cash dividends paid to minority shareholders	(228)	(292)
Other, net	(221)	(102)
Net cash provided by (used in) financing activities	(78,842)	48,243
Effect of exchange rate change on cash and cash equivalents	480	81
Net increase (decrease) in cash and cash equivalents	39,520	41,858
Cash and cash equivalents	81,283	103,618
Increase in cash and cash equivalents from newly consolidated subsidiary	34,713	8
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(169)	—
Cash and cash equivalents	155,348	145,485

(4) Business segment information
For the Three Months Ended Mar. 30 of Fiscal 2009 (Jan. 1, 2009 through Mar. 31, 2009)

(Million of Yen)

	E-Commerce	Credit Card	Banking	Portal Media	Travel	Securities	Professional Sports	Telecommunications	Total	Elimination	Consolidate
Sales to customers	25,208	13,972	6,713	3,424	4,148	5,288	710	6,898	66,364	—	66,364
Intersegment sales	403	334	136	1,417	75	1	117	8	2,494	(2,494)	—
Total Sales	25,611	14,307	6,850	4,841	4,223	5,289	828	6,906	68,859	(2,494)	66,364
Operating Income (loss)	7,714	901	(503)	292	1,812	448	(1,185)	225	9,707	118	9,825

For the Three Months Ended Mar. 30 of Fiscal 2010 (Jan. 1, 2010 through Mar. 31, 2010)

(Million of Yen)

	E-Commerce	Credit Card	E-Money	Banking	Portal Media	Travel	Securities
Sales to customers	31,455	14,915	1,161	8,288	5,487	5,006	5,964
Intersegment sales	519	706	5	481	1,723	141	36
Total Sales	31,974	15,622	1,166	8,770	7,210	5,148	6,000
Operating Income (loss)	8,844	86	(191)	540	760	2,070	1,204

	Professional Sports	Telecommunications	Total	Eliminations	Consolidated
Sales to customers	883	6,029	79,192	—	79,192
Intersegment sales	120	26	3,761	(3,761)	—
Total Sales	1,003	6,056	82,954	(3,761)	79,192
Operating Income (loss)	(1,199)	530	12,646	340	12,986

(Note) Consolidated Financial Statements

(Millions of yen)

Three months ended Mar. 31, 2009 (Jan. 1 through Mar. 31, 2009)	Three months ended Mar. 31, 2010 (Jan. 1 through Mar. 31, 2010)
*1:The breakdown of selling, general and administrative expenses is as follows;	*1:The breakdown of selling, general and administrative expenses is as follows;
Point Costs 1,560	Point Costs 2,648
Advertisement and promotion expenses 3,652	Advertisement and promotion expenses 6,170
Personnel expenses 8,704	Personnel expenses 9,922
Provision for bonuses 1,327	Provision for bonuses 1,929
Depreciation 3,128	Depreciation 3,450
Communications and Maintenance expenses 3,367	Communications and Maintenance expenses 3,539
Outsourcing expenses 5,091	Outsourcing expenses 5,766
Expenses for doubtful accounts 3,006	Expenses for doubtful accounts 3,795

Major Subsequent Events

Tender offer for eBANK Corporation

Rakuten initiated a tender offer for all common stock and stock options of eBANK Corporation, a consolidated subsidiary, on March 19, 2010, and completed the offer on April 30, 2010.

The result of the tender offer is that Rakuten expects to hold 2,080,787 shares of common stock in eBANK as of May 14, 2010, accounting for 88.8% of eBANK's outstanding shares and 91.9% of voting rights.

(1) Name and business description of company acquired, legal form of business combination, name of entity after combination, outline and purpose of the transaction

a. Name and business description of company acquired

Company name: eBANK Corporation (Expected to be changed to Rakuten Bank Co., Ltd., on May 4, 2010, before business combination is finalized.)

Business description: Banking through electronic media, primarily financial settlements

b. Legal form of business combination:

Acquisition of shares

c. Name of business after combination

Name of business will not change after combination.

d. Outline and purpose of the transaction

1. Purpose of transaction

As of March 18, 2010, Rakuten held 1,579,135 shares of common stock (67.2% shareholding ratio) in eBANK, a consolidated subsidiary. Now, with the aim of making eBANK a wholly owned subsidiary, Rakuten has made a tender offer to acquire all of eBANK's outstanding shares.

By making eBANK a wholly owned subsidiary, the entire Rakuten Group will gain an overall sense of speed in business operations that is appropriate for members of an Internet services enterprise. Through these efficiency improvements, Rakuten expects to achieve a superior allocation of management resources that will greatly increase its corporate value. These efforts, when considered in light of continued uncertainty in financial markets despite some signs of recovery in global economic trends, will help eBANK achieve steady earnings and a stronger financial structure in the future. We therefore judge the complete purchase of eBANK to be the best option for the future.

On the other hand, by becoming a wholly owned subsidiary, eBANK can establish conditions for more effective use of human and physical resources and intellectual property of the parent company and all members of the group. We believe eBANK can strengthen its existing competitiveness and harness additional growth a bank specializing in online services to enhance corporate value through means of quality improvements in various services furnished to customers and enhanced profitability. Because Rakuten was unable to acquire all outstanding shares of eBANK through the tender offer, the company now plans to conduct an exchange of shares to acquire all outstanding shares and make eBANK a wholly owned subsidiary.

2. Summary of transaction

Tender period

March 19 to April 30, 2010

Tender price

Common stock: ¥33,000 per share

Preemptive rights to shares: ¥1 per warrant

Share subscription rights: ¥1 per warrant

Number of shares expected to be acquired

Shares of stock	632,881
Warrants	58,380
Total	691,261

3. Result of tender offer

Acceptance of tender offer

Rakuten will purchase all tendered shares.

Date and publication name for public notice in a gazette pertaining to the results of the tender offer

Pursuant to the provisions of Article 27, Paragraph 13, Item 1 of the Financial Instruments and Exchange Law and in accordance with Article 9-4 of the Order of Enforcement of this act and the procedures stipulated in Article 30-2 of the Cabinet Office Ordinance on Disclosure of Tender Offer of Shares by Non-Issuer, Rakuten made a press announcement on May 1, 2010.

Number of shares in the tender offer

a. Equivalent number of shares tendered

Shares	501,652
Warrants	6,440
Total	508,092

b. Equivalent number of shares purchased

Shares	501,652
Warrants	6,440
Total	508,092

Funds required for purchase: ¥16,554 million

(3) Financing method: Cash on hand
Start of settlement: May 14, 2010

(2) Summary of accounting treatment

The transaction will be treated for accounting purposes as a transaction under common control in accordance with the Accounting Standards for Business Combinations (Accounting Standards Board of Japan [ASBJ], Statement No. 21, issued October 31, 2003, and revised December 26, 2008) and the Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, issued December 27, 2005, and revised December 26, 2008).

7. Other information

Legal matters

On March 31, 2009, Rakuten exercised its right to request a buy-back of shares pursuant to Article 785, Paragraph 1 of the Corporate Law for all of its shareholdings of 37,770,700 shares of common stock (recorded on the quarterly consolidated balance sheet at ¥53,483 million) of Tokyo Broadcasting System (now Tokyo Broadcasting System Holdings, Inc.).

Tokyo Broadcasting System Holdings on May 1, 2009, and Rakuten on May 14, 2009, submitted applications for determination of the acquisition price to the District Court of Tokyo. On July 31, 2009, Rakuten received a payment of ¥40,000 million from Tokyo Broadcasting System Holdings as a partial payment for these shares.

On March 5, 2010, the District Court of Tokyo determined an acquisition price of ¥1,294 per share, and on March 12, 2010, Rakuten submitted an immediate appeal against this ruling to the Tokyo High Court.

Furthermore, on March 25, 2010, Rakuten received ¥8,875 million as a partial payment on these shares (the purchase amount was calculated based on ¥1,294 per share after subtracting the ¥40,000 million already received) at the request of Tokyo Broadcasting System Holdings.