

The following information was originally prepared and published by the Company in Japanese as it contains timely disclosure materials to be submitted to the Osaka Securities Exchange. This English summary translation is for your convenience only. To the extent there is any discrepancy between this English translation and the original Japanese version, please refer to the Japanese version.



June 2, 2011

To whom it may concern

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### Entry into an Agreement for Reorganizing the Credit Card Business

(Company split between two consolidated subsidiaries, move of subsidiary to another company [by share transfer] and waiver of subsidiary debt)

Rakuten, Inc. ("Rakuten") announces that its Board of Directors, at an extraordinary meeting held today, has resolved to enter into agreements with J Trust Co., Ltd. ("J Trust") and with Rakuten's subsidiaries, Rakuten KC Co., Ltd. ("Rakuten KC") and Rakuten Credit, Inc. ("Rakuten Credit"), concerning a restructuring of the credit card business operated by Rakuten KC.

#### 1. Background

Rakuten, a comprehensive provider of Internet services including e-commerce and hotel reservations, has been expanding its Internet financial services and is now operating businesses in such areas as credit card, banking, and e-money.

Because the credit card business has a high synergy with e-money transactions, Rakuten has been actively seeking to establish a business foundation from its newly constructed financial services business. Rakuten therefore invested in Kokunai Shinpan Co., Ltd., a consumer credit company based in Kyushu, in June 2005 and made it into a subsidiary. (The company's name was changed to Rakuten KC Co., Ltd. in October 2005.)

In November 2006, Rakuten transferred the automobile loan business operated by Rakuten KC to Orient Corporation through a company split, as the main element of a business restructuring. While creating a stable business foundation, Rakuten has continued its effort to create a new Rakuten KC business domain as a "credit card company founded on the Internet."

The Rakuten Card credit card, Rakuten KC's current core product, is well regarded by users for the Rakuten Super Points program, owing to its ease of use and the quick point accumulation. Points are awarded for purchases in connection with numerous services operated by the Rakuten group as well as goods and services offered outside the Rakuten group. The credit card service has been showing strong

On the other hand, the environment for the credit card business has been undergoing drastic changes, driven by such factors as measures related to the Act for the Control of Money Lending Business, which have strengthened regulation in recent years. In response, Rakuten is concentrating more resources in the Rakuten Card and related businesses, where the services and business areas of group companies are expanding and high, future growth is promising. For this reason, as discussed further below in Section 2, “Summary of Business Restructuring,” Parts (1) through (3), Rakuten is taking another step forward to rebuild the Rakuten KC business.

## 2. Summary of Business Restructuring

- (1) The Rakuten Card related business of Rakuten KC, a Rakuten subsidiary, will succeed to Rakuten Credit<sup>1</sup>, also a Rakuten subsidiary, through an absorption-type split (scheduled effective date: August 1, 2011).

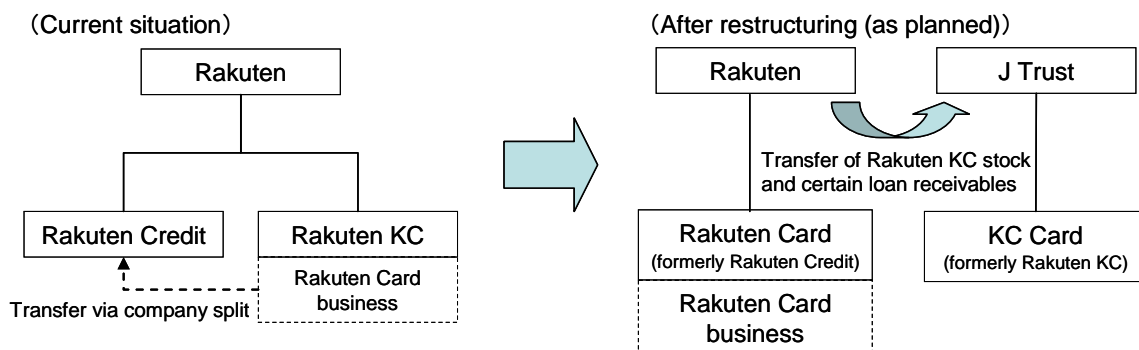
Details are described below in Section 4, “Company Split between Consolidated Subsidiaries”

- (2) Rakuten will transfer with compensation its holdings of Rakuten KC<sup>2</sup> common stock and Class two preferred stock and a portion of the loan receivables that Rakuten currently holds against Rakuten KC. The share transfer (“Rakuten KC share transfer”) is scheduled to be executed on August 1, 2011, conditioned upon the absorption-type split coming into effect.

Details are described below in Section 5, “Rakuten KC Share Transfer.”

<sup>1</sup>On August 1, 2011, the name of the business will be changed to Rakuten Card Co., Ltd condition on approvals from the relevant authorities and the General Meeting of Shareholders.

<sup>2</sup>On August 1, 2011, the name of the business will be changed to KC Card Co., Ltd conditioned on approvals from the relevant authorities and the General Meeting of Shareholders.



- (3) Rakuten will forgive debts it currently holds against Rakuten KC of 10,000 million yen in receivables for subordinated loans and 3,000 million yen in loan receivables for other debt instruments (total 13,000 million yen in receivables).

## 3. Restructuring Schedule

See the schedule for the actions described below in Parts 4. and 6.

#### 4. Company Split between Consolidated Subsidiaries

##### (1) Purpose of split

Described below in Section 1, "Background."

##### (2) Schedule for split (planned)

Resolution of the Board of Directors (entry into company split agreement)	June 15, 2011
General Meeting of Shareholders for approval of agreement (Rakuten KC and Rakuten Credit)	July 29, 2011
Effective date of absorption-type split	August 1, 2011

##### (3) Method of Company split

An absorption-type split in which Rakuten KC undergoes a company split and Rakuten Credit is the successor company.

##### (4) Allotments for the company split

At the time of the absorption-type split, Rakuten Credit will offer 100 million yen in cash as consideration to Rakuten KC for the company split.

##### (5) Method for calculating allotments for the split

The absorption-type split will be conducted between two consolidated subsidiaries, but because shares for Rakuten KC will be transferred to J Trust after the absorption-type split, the need to value the part of the business subject to the absorption-type split and the part remaining in Rakuten KC after the split was later recognized. Rakuten and Rakuten Credit have requested valuations through a third-party organization independent of both companies of the part subject to the split and the part remaining in Rakuten KC. Rakuten KC has also requested a third-party organization independent of Rakuten KC to calculate the value of the part subject to the split.

Rakuten Credit and Rakuten KC have held discussions on the results of the third-party valuation and have determined that it is proper for Rakuten Credit, at the time of the absorption-type split, to pay consideration of 100 million yen in cash to Rakuten KC.

##### (6) Capital increase from the absorption-type split

There will be no change in the capital stock of Rakuten Credit or Rakuten KC as a result of the absorption-type split.

##### (7) Transactions concerning share acquisition rights and convertible bonds in the company split

Share acquisition rights issued by Rakuten KC are not included in the absorption-type split and will not succeed to Rakuten Credit. Furthermore, Rakuten KC has not issued any convertible bonds.

##### (8) Succession of rights and obligations to the successor company

The assets, liabilities, and any attached rights and obligations that Rakuten KC holds for the Rakuten Card related business on the effective date of the absorption-type split will succeed to Rakuten Credit. The liabilities will succeed to Rakuten Credit, and Rakuten KC will be relieved of them.

##### (9) Debt performance outlook

On the basis of the Rakuten KC and Rakuten Credit balance sheets calculated on March 31, 2011, a valuation has been made of the assets and liabilities scheduled to succeed to Rakuten Credit. The

companies' assets, liabilities, and earnings outlook after the absorption-type split have also been examined. As a result, the value of their assets is estimated to exceed the value of their liabilities. Under current conditions, no impairments to either company's performance of secured obligations have been identified; therefore, it is judged that there are no problems foreseen after the absorption-type split in the performance of secured obligations by Rakuten KC or Rakuten Credit.

(10) Summary of parties

(As of March 31, 2011)

	Split Company	Successor Company
① Name of business	Rakuten KC Co., Ltd.	Rakuten Credit, Inc.
② Business description	Credit cards, consumer finance	Credit guarantees, consumer finance
③ Date of establishment	April 26, 1963	December 6, 2001
④ Company headquarters	3-4-2 Hakata Ekimae, Hakata-ku, Fukuoka	4-12-3 Higashi Shinagawa, Shinagawa-ku, Tokyo
⑤ Title and name of representative	Representative Director and President Masayuki Hosaka	Representative Director and President Masayuki Hosaka
⑥ Capital	¥3,055 million	¥4,323 million <sup>1</sup>
⑦ Number of shares outstanding	24,060,000 shares <sup>2</sup>	38,649 shares
⑧ Net assets	¥33,410 million <sup>3</sup>	¥4,706 million
⑨ Total assets	¥434,618 million	¥8,351 million
⑩ Fiscal year-end	December 31	December 31
⑪ Major shareholders and shareholding ratio	[Common stock] Rakuten, Inc. 97.26% <sup>4</sup> [Class one preferred stock] Mizuho Corporate Bank, Ltd. 100% [Class two preferred stock] Rakuten, Inc. 90%	Rakuten, Inc. 100%

<sup>1</sup> A 30,000 million yen capital increase by Rakuten is planned before the absorption-type split comes into effect.

<sup>2</sup> Treasury stock accounts for 22,776,028 shares.

<sup>3</sup> To ensure stable business continuity for Rakuten KC after the absorption-type split, plans call for strengthening Rakuten KC's equity through a debt waiver of 10,000 million yen in receivables for subordinated loans currently held by Rakuten against Rakuten KC plus 3,000 million yen in other loan receivables. Details are described below in Section 6, "Debt Waiver for Rakuten KC."

<sup>4</sup> Shareholding ratios of common stock are calculated after deducting treasury stock from total shares outstanding.

(11) Financial condition and business results for the fiscal year ended December 31, 2010 (per-share values expressed in yen, all other values in million yen).

	Rakuten KC Co., Ltd.	Rakuten Credit, Inc.
Net assets	33,241	4,706
Total assets	401,985	8,134
Net assets per share	17,863.65	121,774.57
Operating revenues	67,619	5,587
Operating income	4,785	697
Ordinary income	4,887	660
Net income	3,912	382

Net income per share	2,809.65	9,900.25
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(12) Overview of business division subject to company split

① Description of business division

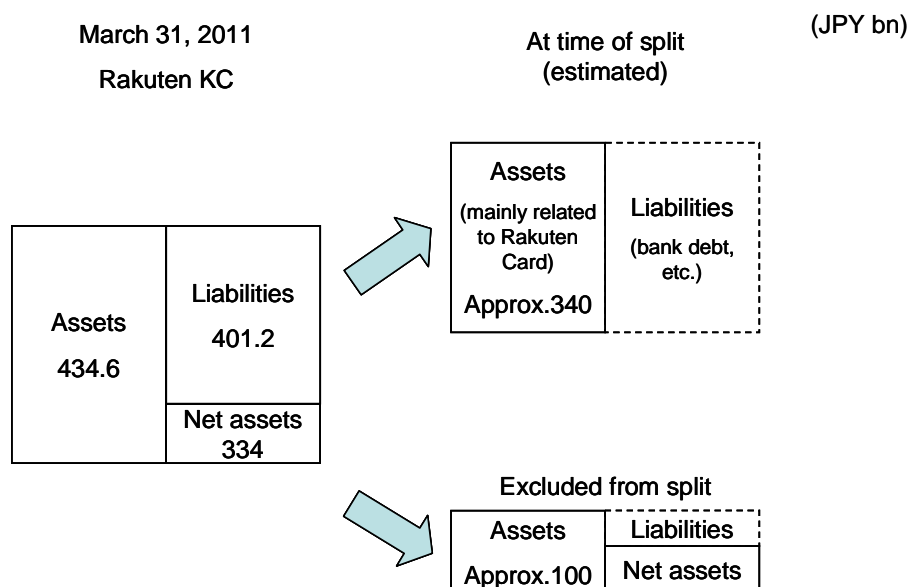
Rakuten card related business of Rakuten KC.

② Division business results

Operating revenues (equivalent to sales, as accounted for by management) of the 'Rakuten Card Business', the main part of the corporate split, were 38,000 million yen for the fiscal year ended December 31, 2010. Business results are not stated since they can not be calculated retroactively.

③ Assets and liabilities transferred in the split and their valuation

The assets and liabilities of the business division subject to the split will be identified individually in the absorption-type split agreement. The value of the assets and liabilities transferred in the split has not been finally determined at present. However, a final determination is planned, which will use the balance sheets of March 31, 2011, as the basis and incorporate changes through the effective date of the company split.



(13) Status and change in business name for the split company after the company split

① Status of business

Name of business	Rakuten KC Co., Ltd.
Company headquarters	3-4-2 Hakata Ekimae, Hakata-ku, Fukuoka
Title and name of representative	To be decided
Business description	Credit cards, consumer finance
Capital	¥3,055 million
Fiscal year-end	December 31

② New name of business (English in parenthesis)

KC Card Kabushiki Kaisha (KC Card Co., Ltd.)

③Reason for change

To represent the fact that Rakuten KC will no longer be a part of the Rakuten Group after the business restructuring and to keep the name “KC,” which has been a familiar name since the days the business was run by Kokunai Shinpan.

④Date of business name change

August 1, 2011 (planned)

(14) Status and change in business name for the successor company after the company split

①Status of successor company

Name of business	Rakuten Credit, Co., Ltd.
Company headquarters	4-12-3 Higashi Shinagawa, Shinagawa-ku, Tokyo
Title and name of representative	Representative Director and President: Masayuki Hosaka
Business description	Credit cards, credit guarantees, consumer finance
Capital	¥19,323 million (planned)
Fiscal year-end	December 31

②New name of business (English in parenthesis)

Rakuten Card Kabushiki Kaisha (Rakuten Card Co., Ltd.)

③Reason for the change

Because Rakuten Credit will be the primary operator for Rakuten card-related business, the business name will be changed to Rakuten Card in accordance with the business restructuring.

④Date of business name change

August 1, 2011 (planned)

5. Rakuten KC Share Transfer

(1) Reason for transfer

Rakuten KC's business after the absorption-type split will be composed mainly of the legacy businesses\* in credit cards, cash cards, and real estate. In order for Rakuten KC to keep operating these businesses smoothly including the possibility of business cooperation, Rakuten held discussions with J Trust who possesses know-how in the consumer finance and real estate segments. Through the process of these discussions, Rakuten determined that a transfer to J Trust of holdings in Rakuten KC shares and in loan receivables against Rakuten KC would be the preferred option, in light of Rakuten KC's need after the absorption-type split to respond to changes in the various businesses encompassing the money lending business environment. Rakuten was able to reach agreement with J Trust on the conditions for the transfer and therefore agreed to perform this transfer.

\*It is the credit card business carried over from the old Kokunai Shimpan.

(2) Overview of transferred subsidiary (Rakuten KC)

Details are described above in 4.(10), “Summary of parties.”

The relationship between Rakuten and Rakuten KC is as follows.

Capital relationship	Rakuten holds 97.26% of Rakuten KC's common stock, excluding treasury
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	stock, and 90% of Class two preferred stock. In addition, Rakuten plans to acquire, by August 1, 2011, all of the Rakuten KC's Class one preferred shares from Mizuho Corporate Bank. Rakuten then will transfer all Class one preferred shares to Rakuten KC for free of charge.
Personnel relationship	Four directors and two employees from Rakuten serve jointly as Rakuten KC directors. The Rakuten also dispatches employees to Rakuten KC.
Business relationship	Rakuten holds 60 billion yen in loan receivables against Rakuten KC. Details on the portion of receivables that will be transferred are described below in Part (7), "Transfer of loans receivable" and details on the portion of receivables to be waived as debt are discussed below in Section 6, "Debt Waiver for Rakuten KC." Normal business between Rakuten KC and Rakuten consists of advertising, real estate leasing, etc., plus some outsourcing of various back office operations between parent company and subsidiary.
Status with related parties	Rakuten KC is considered a related party of Rakuten.

The financial condition and business results of Rakuten KC for the three most recent business years are as follows.

(per-share units in yen, all other units in million yen)

	Year ending December 31, 2008*	Year ending December 31, 2009	Year ending December 31, 2010
Net assets	28,580	29,339	33,241
Total assets	389,887	365,045	401,985
Net assets per share	14,283.15	14,816.12	17,863.65
Operating revenues	42,720	59,754	67,619
Operating income	9,153	4,330	4,785
Ordinary income	9,181	4,401	4,887
Net income	749	493	3,912
Net income per share	396.00	138.37	2,809.65
Cash dividends per share	(Common stock) 115 (Class one preferred stock) 17,820	(Common stock) 115 (Class one preferred stock) 23,280	(Common stock) 0 (Class one preferred stock) 22,400
	(Class two preferred stock) 1,500	(Class two preferred stock) 2,000	(Class two preferred stock) 2,000

\* In fiscal year 2008, the fiscal year-end changed from March to December and represents a 9-month settlement.

### (3) Overview of counterparty for transfer

① Name of business	J Trust Co., Ltd.	
② Company headquarters	4-4-12 Kitahama, Chuo-ku, Osaka*	
③ Title and name of representative	Representative Director and President: Nobuiku Chiba	
④ Business description	Holding operations, debt purchasing operations	
⑤ Capital	4,496 million (as of March 31, 2011)	
⑥ Date of establishment	March 18, 1977	
⑦ Major shareholders and shareholding ratio (as of March 31, 2011)	Nobuyoshi Fujisawa: 49.0% Saikyo Bank, Ltd.: 4.6%	
⑧ Relationship with listed companies and related companies	Capital relationship	N/A
	Personnel relationship	N/A
	Business relationship	N/A
	Status with related parties	N/A
⑨ Business results and financial condition for the last three fiscal years (per-share units in yen, all other units in million yen)		

	Year ended March 31, 2009	Year ended March 31, 2010	Year ended March 31, 2011
Net assets	6,846	11,005	13,961
Total assets	39,811	37,999	37,862
Net assets per share	248.28	370.06	464.78
Operating revenues	4,946	16,541	16,908
Operating income	240	4,165	4,324
Ordinary income	296	4,303	4,323
Net income	306	4,108	3,233
Net income per share	11.14	139.12	108.60

\*According to the press release of this company on May 12, 2011, assuming approval at the company's shareholders meetings planned for June 29, 2011, Mr. Fujisawa Nobuyoshi is expected to become president.

(4) Number of shares to transfer, their value, and ratio of total number of shares outstanding.

Number of shares to transfer:

Common stock: 1,248,794 shares (ratio of total shares of common stock outstanding: 97.26%)

Class two preferred stock: 11,250 shares (ratio of total Class two preferred shares outstanding: 90%)

Value of transferred shares: 4,500 million yen

\*1 Ratio of total shares of common stock outstanding is calculated after deducting treasury stock.

\*2 In the case Rakuten acquires shares from shareholders of Rakuten KC before the date of the share transfer, Rakuten is to transfer shares including these newly acquired shares to J Trust.

(5) Calculation basis for share transfer value

As stated above in 4.(4), "Method for calculating allotments for company split," Rakuten requested an independent third party to conduct a valuation of the post-split Rakuten KC business entity. Rakuten and J Trust have held discussions based on these calculations and agreed to the transfer value.

(6) Number of shares owned and shareholding ratio before and after the transfer

(Common stock) Before transfer Shares owned: 1,248,794 shares, ratio owned: 97.26%

After transfer Shares owned: 0, ratio owned: 0%

(Class two preferred stock) Before transfer Shares owned: 11,250, ratio owned: 90.00%

After transfer Shares owned: 0, ratio owned: 0%

\*1 The ratio of common stock owned is calculated after deducting treasury stock from total shares of common stock outstanding.

\*2 In the case Rakuten acquires shares from shareholders of Rakuten KC before the date of the share transfer, Rakuten is to transfer shares including these newly acquired shares to J Trust.

(7) Transfer of loan receivables

Loan receivables to transfer: 37,000 million yen from the loan receivables held by Rakuten against Rakuten KC, after deduction of the debt waiver discussed below in Part 6, "Debt Waiver for Rakuten KC."

Transfer value: 37,000 million yen

\*Rakuten holds a total of 60,000 million yen in loan receivables against Rakuten KC, but based on schedule repayments, a total value of 50,000 million yen is expected on the day of the loans receivable transfer.



(8) Schedule for subsidiary move (planned)

Board of Directors meeting for approval of Rakuten KC share transfer: June 2, 2011

Execution of Rakuten KC share transfer: August 1, 2011

As stated above in Part (2) of Section 2, "Summary of Business Restructuring," the execution of the Rakuten KC share transfer is conditioned on the absorption-type split from Rakuten KC to Rakuten Credit coming into effect on the same date.

6. Debt Waiver for Rakuten KC

(1) Overview of subsidiary

Rakuten KC is described above in 4.(9), "Summary of parties."

(2) Reason for the debt waiver

To fulfill a policy, as part of the business restructuring, to strengthen Rakuten KC's equity in order to increase its resistance to risk after the split.

(3) Description of debt waiver

Rakuten will waive debt obligations of 10,000 million yen in subordinated loan receivables plus 3,000 million yen in other loan receivables (total 13,000 million yen in receivables). to allow the net asset value of Rakuten KC to increase by the same amount. This debt waiver is apart from the transfer of loan receivables to J Trust described above in Section 5, Part (7), "Transfer of loans receivable."

(4) Schedule for debt waiver

The debt waiver is scheduled on or before August 1, 2011, the scheduled effective date of the absorption-type split and the scheduled execution date of the Rakuten KC share transfer.

7. Future outlook and prospective effect on earnings

As a result of this set of business restructurings (the absorption-type split, the Rakuten KC share transfer, and debt waiver for Rakuten KC), Rakuten forecasts the following effects on earnings for the fiscal year ending December 31, 2011.

(1) Unconsolidated earnings

As a result of the disposition of subsidiary shares, the debt waiver, and other measures, Rakuten expects to record a loss of approximately 80 billion yen on an unconsolidated basis for the second quarter.

(2) Consolidated earnings

As a result of the loss on sale of a subsidiary and related expenses for the business restructuring, Rakuten expects to record a loss of approximately 100 billion yen for the second quarter.

As soon as we can confirm the losses, we plan to provide further information them. The loss valuations are our current estimates and may change due to calculation adjustments of the valuation of the business subject to the company split.

As a result of recording these losses, Rakuten's earnings for the full fiscal year ending December 31, 2011, may end in a net loss, on both an unconsolidated and consolidated basis, even if business performance is at the same level as the previous fiscal year.\*

Also, regarding the impact on consolidated results of the company split and transfer of subsidiaries, we will make an announcement if it is necessary after more detailed investigation.

\* Rakuten, Inc. and all companies of the Rakuten group are subject to abrupt changes in the business environment for both the domestic and overseas Internet-related businesses. Moreover, earnings in various financial businesses, including those in the securities field, may be greatly affected by volatility in the financial markets. Because these factors make it difficult to forecast earnings, we do not disclose earnings forecasts.