

Rakuten, Inc.
August 1, 2011

Impact on results (extraordinary losses) from credit card business reorganization

Rakuten, Inc. (Rakuten, Ticker code: 4755 JP) announced on June 2, 2011 the 'Conclusion of a contract for our credit card business reorganization' which came into effect on August 1, 2011. This related to the former Rakuten KC (current KC Card) operating the credit card business subject to reorganization. The impact on Rakuten Group's financial results is now fixed as written below.

In addition, Rakuten plans to announce Q2 2011 results on August 4 (Thur).

Note: On August 1, Rakuten Credit, a subsidiary of Rakuten has changed its business name to Rakuten Card. In addition, Rakuten KC has changed its business name to KC Card Co., Ltd, and is no longer a subsidiary of Rakuten.

1. Summary of extraordinary and other losses

With the series of events in this credit card business reorganization (the company split and absorption of Rakuten card business into Rakuten Card, and transfers such as the former Rakuten KCs shares and partial debt waiver), Rakuten Group will include the following losses in its Q2 2011 results.

(Non-consolidated) Extraordinary loss Total JPY 74.4bn

(Breakdown: Appraisal loss on subsidiaries stocks JPY 61.4bn, allowance for business transfer JPY13.0bn)

(Consolidated) Operating loss Total JPY 4.2bn

Extraordinary loss Total JPY 75.9bn

Details of the losses and impact on business results of consolidated accounts

Summary of losses incurred		Allocation of expenses	Amount JPY bn
1. Provision for loss on interest repayment at the former Rakuten KC		Operating loss (Provision for loss on interest repayment)	4.2
2. Total impact on operating loss			4.2
3. Additional provision of allowance for doubtful accounts at Rakuten Card, relating to the succession of loan receivables from the former Rakuten KC		Extraordinary loss (Provision of allowance for doubtful accounts)	11.7
4. Impairment of goodwill in the consolidated financial statements for the former Rakuten KC		Extraordinary loss (Impairment loss)	14.2
5. Losses related to sale of subsidiary shares, and related matters		Extraordinary loss (Allowance for business transfer loss)	50.0
6. Extraordinary loss total (Items 3, 4 and 5)			75.9
7. Total losses (Items 2 and 6)			80.2
8. Tax Benefit from item 7		Income tax – deferred	32.5
9. Reversal of deferred tax assets at the former Rakuten KC		Income tax – deferred	-20.2
10. Corporate tax adjustment (Items 8 and 9)			12.3
11. Negative impact on net profit (Items 7 and 10)			67.8

2. Future prospects

By the sale of stocks and other matters relating to this business reorganization, the former Rakuten KC is no longer a consolidated subsidiary after August 1, but Rakuten expects the impact on its consolidated sales and profits to be limited.

In addition, details of Rakuten Card (former Rakuten Credit), the successor company resulting from the spin-off of the former Rakuten KC, is as follows:

Business name	Japanese: 楽天カード株式会社(<i>Rakuten Card kabusiki kaisha</i>) English: Rakuten Card Co., Ltd.
Main branch address	4-12-3 Higashi-Shinagawa, Shinagawa-ku, Tokyo
Representative Director	Masayuki Hosaka
Business outline	Credit cards, credit guarantees, loans
Share capital	JPY 19.3bn (Forecast)
Fiscal year end	December 31

In addition, the situation relating to assets, debt etc of the successor company at the time of the company split will be decided at the settlement of the company accounts, but we expect it to be as follows (JPY bn)

(Assets)		(Liabilities)	
Current Assets	302	Current Liabilities	200
Fixed Assets	48	Fixed Liabilities	120
		Total Liabilities	320
		(Net Assets)	
		Total	30
Total Assets	350	Total Liabilities and Net Assets	350

(Incl. succession from the old Rakuten KC: Assets JPY317.2bn, Liabilities JPY317.1bn)

Rakuten and its group businesses at home and abroad face rapidly changing business environments which impacts on our Internet businesses, and high volatility and uncertainty in financial markets which impacts on our financial businesses, including our securities brokerage business. This precludes us from disclosing earnings forecasts.