

# Financial Report (Consolidated) for the 1<sup>st</sup> Half of Fiscal 2009

## (for the six month ended June 30, 2009)

Rakuten, Inc.  
August 7, 2009

Company name	Rakuten, Inc.	Listed	JASDAQ (Japan)
Code No	4755	URL	<a href="http://www.rakuten.co.jp/">http://www.rakuten.co.jp/</a>
Representative (Position)	Chairman and CEO	(Name)	Hiroshi Mikitani
Contact person (Position)	CFO	(Name)	Ken Takayama
Scheduled date of filing the securities report:	August 12, 2009	Date of commencement of dividend payments	—

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

### 1. Consolidated Results for the six months ended June 30 of Fiscal 2009 (January 1–June 30, 2009)

#### (1) Consolidated Operating Results (Total)

(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	%
Six-months ended June 30, 2009	139,793	—	23,428	—	22,418	—	38,117	—
Six-months ended June 30, 2008	121,814	23.1	18,266	35.7	17,395	16.0	7,293	25.7

	EPS (Earning per Share)	EPS (Earning per Share Diluted)
	Yen	Yen
Six months ended June 30, 2009	2,912.48	2,902.59
Six months ended June 30, 2008	557.71	555.01

#### (2) Consolidated Financial Position

	Total assets	Net Assets	Equity Ratio	Book-value per Share
	Millions of yen	Millions of yen	%	Yen
As of June 30, 2009	1,770,571	207,782	10.9	14,690.49
As of June 20, 2008	1,086,937	158,727	13.8	11,439.86

(Reference) Shareholders' equity: 192,293 million yen (as of year ended June 30, 2009); 149,703 million yen (as of year ended December 31, 2008)

### 2. Dividend Distribution

(Base Date)	Dividend per Share				
	1st Quarter	2nd Quarter	3rd Quarter	Annual	Year
	Yen	Yen	Yen	Yen	Yen
FY2008	—	—	—	100.00	100.00
FY2009	—	—	—	—	—
FY2009 (Forecast)	—	—	—	—	—

### 3. Forecast of Consolidated Operating Results for Fiscal 2009 (January 1–December 31, 2009)

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

Rakuten, inc. and its group companies do not disclose earnings forecasts as its business operations include an Internet service business characterized by high uncertainty and financial related businesses whose results heavily depended on high volatile market. This precludes us from making earnings forecasts.

#### 4. Other

**(1) Significant changes in scope of consolidation:** Yes, new subsidiary: 1 (eBANK Corporation)

**(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)

13,088,924 shares (As of June 30, 2009)

13,087,064 shares (As of December 31, 2008)

2. Treasury stock

979 shares (June 30, 2009)

979 shares (December 31, 2008)

3. Average number of shares issued for the six months ended December 31, 2009 (January 1– June 30, 2009)

13,090,659 shares (January 1– June 30, 2009)

13,076,961 shares (January 1– June 30, 2008)

#### 5. Qualitative Information Related to Consolidated Business Results

Because the current fiscal year, the year ending December 31, 2009, is the first year in which we applied the quarterly financial reporting system, financial figures from the same period in the previous year were not subject to quarterly review by an outside auditor. Thus, comparisons with the same period of the previous year (both absolute and percentage changes) are for reference only.

##### (1) First Half Consolidated Business Results

For the first six months of the fiscal year (January 1—June 30, 2009) economic conditions in Japan remained severe due to the continuing global financial crisis that started in 2008. Nevertheless, some improvements are being seen, as signs of recovery in exports and other sectors are gradually appearing.

During this time, according to a survey of individual Internet usage trends<sup>1)</sup> the Internet shopping rate rose 1.5 points to 82.4% among those surveyed. The trend to seek lower prices in these tough economic times is growing, and we attribute this to the increased time spent investigating products during longer hours of Internet access while shopping from home—“stay in the nest and shop.” In addition, we are forecasting that Internet shopping will continue to advance, based on the 52.4% of survey respondents who say they are increasingly willing to make purchases over the Internet.

In this environment, the Rakuten Group was able to maintain high growth in the E-Commerce Business and Travel Business segments by adding conveniences for users, including consulting services for merchants of new online stores and new contracted facilities, and by enhancing marketing activities to promote cross-utilization of services. In addition to these existing businesses, we added eBANK Corporation to the consolidation in the first quarter, helping to bring net sales for the six months ended June 30, 2009 to ¥139,793 million, a 14.8% increase year on year.

Meanwhile, operating income increased 28.3% year on year to ¥23,428 million and ordinary income grew 28.9% to ¥22,418 million, owing to the effects of our revised expense structure created by policies to reinforce our management organization. We also benefited from negative charges of ¥20,616 million in income taxes-deferred, resulting in part from recording deferred tax assets in connection with a loss on valuation of investment securities in a previous fiscal year. These deferred tax assets are recognized in our financial statements as a result of exercising our right to request a buy-back of our shareholdings in Tokyo Broadcasting System, Inc. (now Tokyo Broadcasting System Holdings, Inc.) on March 31, 2009. As a result of the above, net income came to ¥38,117 million, a 422.6% year-on-year increase.

##### (2) Business Segment Overview

Due to the addition of eBANK Corporation as a consolidated subsidiary, a new business segment was created starting with the first quarter financial results for the Banking Business Segment. We also transferred Rakuten Credit, Inc. and Rakuten Financial Solutions, Inc., which were part of the Credit and Payment Business in previous fiscal years, to the Banking Business as of the first quarter of this fiscal year, in consideration of these companies' similar activities. Also, the Credit and Payment Business became the Credit Card Business after reassessing the nature of its business. In light of the above, we

present the state of individual business segments below for the six months ended June 30, 2009.

### **E-Commerce Business**

The E-Commerce Business continued its high growth during the period with a 20.9% increase in gross merchandise sales, including Rakuten Books (21.6% after leap-year adjustment). The segment turned in successful results in its core Rakuten Ichiba Internet shopping mall, boosted by the Internet user trends described above. Rakuten Ichiba's good results were further assisted by measures to promote new online stores in undeveloped genres and strengthen support for merchants, as well as marketing measures that reflect current user preferences for used goods. As a result, net sales for the E-Commerce Business for the six months ended June 30, 2009 showed healthy growth to ¥52,061 million, a 21.0% increase from the previous year. Operating income increased substantially to ¥16,215 million, up 68.0% year on year, as a result of increased earnings in Rakuten Ichiba and steps to thoroughly control costs in other areas of the E-Commerce Business.

### **Credit Card Business**

The Credit Card Business' results for the six months ended June 30, 2009 remained steady at ¥28,268 million in net sales, supported by firm growth in revenue from revolving credit for shopping transactions despite a decline in revenue due to reduction in the balance of outstanding loans. Despite the deteriorating business environment and increased marketing expenses related to steady growth in the number of Rakuten Card members, the Credit Card Business secured a profit with operating income of ¥1,500 million. However, comparisons with the previous fiscal year were not shown due to the change of the scope of this segment from the beginning of this fiscal year.

### **Banking Business**

The Banking Business in the six months ended June 30, 2009 achieved net sales of ¥14,703 million, and the implementation of expense controls led operating income to turn around to a ¥177 million profit. The segment generated stable gain on valuation or sales of investment assets through reviews investment portfolio and interest received from loans at eBANK, whose operating results are consolidated from the beginning of the fiscal year. However, comparisons with the previous fiscal year are not available since this segment was newly established in this fiscal year.

### **Portal and Media Business**

Net sales for the Portal and Media Business in six months ended June 30, 2009 grew 76.6% to ¥7,743 million, leading to operating income of ¥337 million (compared with a ¥100 million operating loss in the same period of the previous year). Major boosts came from newly consolidated subsidiaries, such as the wedding information service O-net Inc., which was included in the consolidated financial statements in the third quarter of the previous fiscal year, and Showtime Inc., which was included in the first quarter of this fiscal year.

### **Travel Business**

The Travel Business had healthy 13.1% year-on-year growth (13.7% after leap-year adjustment) in the Gross Transaction Value of bookings. With good sales of travel products and services based on user needs, such as the eastern-Japan-area exclusive "Shinkansen and Eki Renta-car Raku Pack" package tours (combining bullet trains and car rentals at train stations), and the focus on strengthening publications such as launching the web magazine "Tabiiro Luxury Stays," the segment succeeded at bringing in leisure demand despite the recession. After adding in buoyant advertising sales, net sales grew 16.0% year on year to ¥8,412 million. Operating income also increased, by 29.3% year on year to ¥3,555 million, benefiting from successful measures to improve efficiency, particularly controls on operating expenses.

### **Securities Business**

The slump in the stock market stemming from the 2008 financial crisis began showing signs of a mild recovery in April, but financial revenues were down due to lower margin balances. As a result, segment net sales fell to ¥11,601 million (down 8.2% from the same period last year), while the effects of expense controls kept the fall in operating income to ¥2,037 million (down 1.8% year on year).

### **Professional Sports Business**

The Professional Sports Business experienced increased ticket sales following the Tohoku Rakuten Golden Eagles' successful home opener, but because there have been fewer home games than last year, year-on-year net sales were down 5.7% to ¥3,571 million in the six months ended June 30, 2009. The segment recorded an operating loss of ¥752 million (compared with a ¥685 million operating loss in the same period of the previous year).

## Telecommunications Business

Net sales fell due to a slowdown in the market for independent telecommunications operators, but restructuring centering on cutting fixed costs is continuing. Net sales for the six months ended June 30, 2009 fell 25.5% year on year to ¥13,429 million, while the segment posted an operating loss of ¥184 million after a ¥11 million profit in the same period last year.

\*1 Source: Impress R&D, *2009 Internet White Paper*

## 6. Qualitative Information Pertaining to the Consolidated Financial Positions

Total assets at the end of the first half of fiscal 2009 amounted to ¥1,770,571 million. This represents an increase of ¥683,634 million from the figure of ¥1,086,937 at the end of fiscal 2008. The growth resulted mainly from the inclusion of eBANK Corporation into the consolidation, an increase in cash and deposits, and assets including securities worth ¥572,010 million, to the Rakuten Group's assets.

### Liabilities

Total liabilities amounted to ¥1,562,789 million as of June 30, 2009, compared with ¥928,210 million at end of fiscal year 2008, a ¥634,579 million increase. This increase resulted mainly from the inclusion of eBANK Corporation into the consolidation, and the addition of deposits and other liabilities relating to the Banking Business to the Rakuten Group's liabilities. The total amount of short-term and long-term loans payable from financial institutions outside of the Rakuten Group was reduced by ¥104,408 million because of repayments, which were mostly made by Rakuten Credit, Inc. in preparation for its merger with eBANK Corporation.

### Net Assets

Net assets amounted to ¥207,782 million as of June 30, 2009. This represents an increase of ¥49,054 million from the figure of ¥158,727 million at the end of fiscal 2008. Shareholders' equity increased by ¥36,869 million. This reflects the fact that quarterly net income reached ¥38,117 million due to factors that included ordinary income of 22,418 million, as well as recognition of deferred tax assets resulting from the exercise of our right to demand a buy-back of shares in Tokyo Broadcasting System Inc. (now Tokyo Broadcasting System Holdings, Inc.).

## 7. Cash Flows

For the period of six months ended June 30, 2009, net cash used for operating activities amounted to an outflow of ¥27,046 million. The strong performance of the E-Commerce Business Segment contributed ¥22,952 in Income before income taxes and minority interests for the period, but this was more than offset by ¥34,139 million in margin trading and other activities at Rakuten Securities, Inc. (The figure of ¥34,139 million represents the result of deducting the increase in operating liabilities from the increase in operating receivables at securities business.)

Net cash provided by investing activities totaled ¥129,181 million in inflows for the six months ended June 30. This result reflects the restructuring of the investment portfolio of eBANK Corporation, as a result of which proceeds from sales and redemptions of securities substantially outweighed expenditures on the acquisition of securities.

Net cash used for financing activities amounted to a ¥110,599 million outflow in the period of six months ended June 30, 2009. This result was primarily attributable to repayment of outstanding borrowings by Rakuten Credit, Inc. for the consolidation with the personal loan business of eBANK Corporation and a reduction in borrowings at Rakuten KC Co., Ltd.

In addition to the above, changes to the scope of the consolidation, including the addition of eBANK Corporation, resulted in a net increase of ¥34,544 million in cash and cash equivalents. As a result, cash and cash equivalents at the end of the first half of fiscal 2009 amounted to ¥107,679 million, an increase of ¥26,395 million compared with the position at the end of the previous year.

## First Half of Fiscal Year 2009 Financial Results

### (1) Consolidated Balance Sheets

	(Millions of yen)	
	As of June 30, 2009	As of December 31, 2008
(Assets)		
Current assets		
Cash and deposits	109,434	88,588
Notes and accounts receivable-trade	31,182	32,241
Accounts receivable-installment	105,256	93,631
Accounts receivable-installment sales-credit guarantee	3,129	3,550
Beneficial interests in securitized assets	52,106	101,572
Cash segregated as deposits for Securities Business	217,636	214,891
Margin transaction assets for Securities Business	126,715	81,153
Operating loans	154,758	188,695
Short-term investment securities	3,186	2,629
Securities for Banking Business	572,010	—
Loans for Banking Business	91,951	—
Deferred tax assets	12,710	12,829
Other	79,834	66,556
Allowance for doubtful accounts	△45,620	△36,073
Current assets	1,514,291	850,267
Non-current assets		
Property, plant and equipment	21,042	21,114
Intangible assets		
Goodwill	87,286	65,083
Other	33,731	28,229
Intangible assets	121,018	93,313
Investments and other assets		
Investment securities	68,757	82,846
Deferred tax assets	25,526	15,510
Other	25,679	29,294
Allowance for doubtful accounts	△5,743	△5,407
Investments and other assets	114,219	122,242
Non-current assets	256,280	236,670
Assets	1,770,571	1,086,937
(Liabilities)		
Current liabilities		
Notes and accounts payable-trade	19,197	20,209
Accounts payable-credit guarantee	3,129	3,550
Commercial Paper	21,500	14,000
Short-term loans payable	174,587	270,335

	As of June 30, 2009	As of December 31, 2008
Deposits for Banking Business	708,149	—
Income taxes payable	5,934	10,697
Deferred tax liabilities	1,750	91
Deposits received for Securities Business	135,097	142,608
Margin transaction liabilities for Securities Business	74,561	53,538
Guarantee deposits received for Securities Business	88,051	88,749
Provision	10,289	13,452
Other	110,345	85,621
Current liabilities	1,352,593	702,855
Non-current liabilities		
Bonds payable	20,000	13,020
Long-term loans payable	172,405	181,065
Provision for loss on interest repayment	12,532	15,364
Other provisions	353	374
Deferred tax liabilities	210	8,266
Other	1,954	4,046
Non-current liabilities	207,456	222,137
Reserves under the special laws		
Reserve for financial products transaction liabilities	2,728	3,206
Reserve for commodities transaction liabilities	11	11
Reserves under the special laws	2,739	3,217
Liabilities	1,562,789	928,210
(Net assets)		
Shareholders' equity		
Capital stock	107,562	107,534
Capital surplus	115,856	119,565
Retained earnings	(35,857)	(76,408)
Treasury stock	(11)	(11)
Shareholders' equity	187,550	150,680
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	6,062	655
Deferred gains or losses on hedges	(298)	(335)
Foreign currency translation adjustment	(1,020)	(1,297)
Valuation and translation adjustments	4,743	(977)
Subscription rights to shares	429	243
Minority interests	15,058	8,781
Net assets	207,782	158,727
Liabilities and net assets	1,770,571	1,086,937

## (2) Consolidated Income Statements

For the six months ended December 31, 2009

(Millions of yen)

	<b>Six months ended December 31, 2009</b> (January 1 to June 30, 2009)
Net sales	139,793
Cost of sales	33,994
Gross profit	105,798
Selling, general and administrative expenses	82,369
Operating income	23,428
Non-operating income	
Interest income	43
Dividend income	182
Equity in income of affiliates	216
Other	374
Non-operating income	816
Non-operating expenses	
Interest expenses	1,254
Commission fee	387
Foreign exchange losses	11
Other	173
Non-operating expenses	1,827
Ordinary income	22,418
Extraordinary income	
Reversal of provision for loss on business liquidation	354
Reversal of reserve for financial products transaction liabilities	478
Gain on change in equity	4,031
Other	47
Extraordinary income	4,912
Extraordinary loss	
Loss on valuation of investment securities	1,274
Restructuring losses	695
Impairment loss	1,130
Other	1,279
Extraordinary loss	4,379
Income before income taxes and minority interests	22,952
Income taxes-current	5,952
Income taxes-deferred	(20,616)
Income taxes	(14,664)
Minority interests in income (loss)	(501)
Net income	38,117

**For the three months ended December 31, 2009**

(Millions of yen)

	<b>Three months ended December 31, 2009</b> (April 1 to June 30, 2009)
Net sales	73,428
Cost of sales	17,073
Gross profit	56,354
Selling, general and administrative expenses	42,750
Operating income	13,603
Non-operating income	
Interest income	15
Dividend income	171
Equity in income of affiliates	64
Other	303
Non-operating income	554
Non-operating expenses	
Interest expenses	606
Commission fee	172
Foreign exchange losses	26
Other	54
Non-operating expenses	860
Ordinary income	13,297
Extraordinary income	
Reversal of reserve for financial products transaction liabilities	485
Gain on change in equity	4,031
Other	7
Extraordinary income	4,525
Extraordinary loss	
Loss on valuation of investment securities	538
Impairment loss	259
Other	335
Extraordinary loss	1,133
Income before income taxes and minority interests	16,689
Income taxes-current	1,639
Income taxes-deferred	2,096
Income taxes	3,736
Minority interests in income (loss)	53
Net income	12,899

### (3) Consolidated Statements of Cash Flows

	(Millions of yen)
	<b>Six months ended</b>
	<b>June 30, 2009</b>
	(January 1 to June 30, 2009)
Net cash provided by (used in) operating activities	
Income before income taxes and minority interests	22,952
Amortization of goodwill	2,547
Depreciation and amortization	7,009
Loss (gain) on valuation of securities for the Bank Business	1,368
Loss (gain) on sales of securities for the Bank Business	395
Increase (decrease) in allowance for doubtful accounts	(3,657)
Increase (decrease) in provision for loss on interest repayment	(2,831)
Other loss (gain)	(478)
Decrease (increase) in notes and accounts receivable-trade	2,725
Decrease (increase) in accounts receivable-installment	(11,624)
Decrease (increase) in beneficial interests in securitized assets	49,466
Decrease (increase) in operating loans receivable	(57,185)
Increase (decrease) in notes and accounts payable-trade	(1,203)
Increase (decrease) in accounts payable-other and accrued	(3,484)
Increase (decrease) in advances received	1,231
Increase (decrease) in deposits for the Bank Business	(63,251)
Decrease (increase) in call loans for the Bank Business	54,000
Decrease (increase) in operating receivables for the Securities	(46,982)
Decrease (increase) in deposits for segregated accounts	4,700
Increase (decrease) in operating payable for the Securities	12,842
Increase (decrease) in loans payable secured by securities for the Securities Business	10,951
Other, net	4,747
Subtotal	(15,765)
Income taxes paid	(11,041)
Other	(239)
Net cash provided by (used in) operating activities	(27,046)
Net cash provided by (used in) investment activities	
Acquisition of securities for Bank Business	(322,422)
Proceeds from sales and redemption of securities for the Bank	457,980
Purchase of investments in subsidiaries	(701)
Purchase of investments in subsidiaries resulting in change in the scope of consolidation	(1,170)
Purchase of property, plant and equipment	(1,769)
Purchase of intangible assets	(4,878)
Other payments	(4,646)
Other proceeds	6,243
Interest and dividends income received	547
Net cash provided by (used in) investment activities	129,181
Net cash provided by (used in) financing activities	
Net increase (decrease) in short-term loans payable	(46,012)
Increase (decrease) in commercial papers	7,500
Proceeds from long-term loans payable	34,310
Repayment of long-term loans payable	(92,708)
Redemption of bonds	(4,010)
Purchase of treasury stock of subsidiaries in consolidation	(4,113)
Interest expenses paid	(1,268)
Proceeds from stock issuance to minority shareholders	388
Cash dividends paid	(1,305)
Cash dividends paid to minority shareholders	(228)
Other	(3,150)
Net cash provided by (used in) financing activities	(110,599)
Effect of exchange rate change on cash and cash equivalents	317
Net increase (decrease) in cash and cash equivalents	(8,148)
Cash and cash equivalents	81,283
Increase in cash and cash equivalents from newly consolidated subsidiary	34,713
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(169)
Cash and cash equivalents	107,679

#### (4) Business Segment Information

For the six months ended June 30, 2009 (From January 1, 2009 to June 30, 2009)

(Millions of yen)

	E-Commer	Credit Card	Banking	Portal Media	Travel	Securities	Profession al Sports	Telecom municatio ns	Total	Elimination	Consolidat
Sales to customers	52,061	28,268	14,703	7,743	8,412	11,601	3,571	13,429	139,793	—	139,793
Intersegment sales	827	744	367	3,095	122	4	231	26	5,421	(5,421)	—
Total Sales	52,889	29,013	15,071	10,839	8,534	11,606	3,803	13,456	145,214	(5,421)	139,793
Operating Income (loss)	16,215	1,500	177	337	3,555	2,037	(752)	184	23,255	173	23,428

For the three months ended June 30, 2009 (From April 1, 2009 to June 30, 2009)

(Millions of yen)

	E-Commer	Credit Card	Banking	Portal Media	Travel	Securities	Profession al Sports	Telecom municatio ns	Total	Elimination	Consolidat
Sales to customers	26,853	14,296	7,989	4,318	4,264	6,313	2,860	6,531	73,428	—	73,428
Intersegment sales	424	410	231	1,678	46	2	114	18	2,926	(2,926)	—
Total Sales	27,277	14,706	8,220	5,997	4,310	6,316	2,974	6,549	76,354	(2,926)	73,428
Operating Income (loss)	8,500	598	681	45	1,742	1,589	432	(41)	13,548	54	13,603

<<Reference>>

**Consolidated Financial Statements**

**For the six-month and three-month periods ended December 31, 2008**

**(1) Consolidated Income Statements**

**(For the six months ended June 30, 2008)**

(Million of Yen)

	Six months ended June 30,2008 (January 1 to June 30, 2008)
I Net sales	121,814
II Cost of sales	28,426
Gross profit	93,387
III Selling, general and administrative expenses	
1 Advertisement and selling expenses	7,570
2 Employment expenses	16,517
3 Depreciation and amortization	5,395
4 Communications and Maintenance expenses	6,988
5 Agent service fee	12,061
6 Allowance for bad debt	7,924
7 Other	18,663
Selling, general and administrative expenses	75,121
Operating income	18,266
IV Non-operating income	
1 Interest income	110
2 Dividend income	564
3 Foreign exchange income	40
4 Equity in income of affiliates	53
5 Other	401
Non-operating income	1,170
V Non-operating expenses	
1 Interest expenses	829
2 Commission fee	817
3 Other	395
Non-operating expenses	2,041
Ordinary income	17,395

	Six months ended June 30, 2008 (January 1 to June 30, 2008)
VI Extraordinary income	
1 Gain on sales of noncurrent assets	46
2 Gain on change in equity	18
3 Gain on receipt of investment securities	267
4 Reversal of reserve for financial products transaction liabilities	714
5 Reversal of provision for loss on business liquidation	184
6 Other	43
Extraordinary income	1,274
VII Extraordinary loss	
1 Loss on retirement of noncurrent assets	1,503
2 Impairment loss	1,246
3 Loss on valuation of investment securities	641
4 Other	1,221
Extraordinary loss	4,612
Income before income taxes and minority interests	14,056
Income taxes-current	4,710
Income taxes-deferred	2,424
Minority interests in income (loss)	(371)
Net income	7,293

**(For the three months ended June 30, 2008)**

**(Million of Yen)**

	Three months ended June 30, 2008 (April 1 to June 30, 2008)
I Net sales	62,291
II Cost of sales	13,801
Gross profit	48,489
III Selling, general and administrative expenses	
1 Advertisement and selling expenses	3,580
2 Employment expenses	8,635
3 Depreciation and amortization	2,783
4 Communications and Maintenance expenses	3,411
5 Agent service fee	5,902
6 Allowance for bad debt	4,207
7 Other	8,916
Selling, general and administrative expenses	37,436
Operating income	11,053
IV Non-operating income	
1 Interest income	519
2 Foreign exchange income	22
3 Other	212
Non-operating income	754
V Non-operating expenses	
1 Interest expenses	433
2 Commission fee	802
3 Equity in loss of affiliates	31
4 Other	137
Non-operating expenses	1,404
Ordinary income	10,402

	Three months ended June 30, 2008 (April 1 to June 30, 2008)
VI Extraordinary income	
1 Gain on sales of noncurrent assets	46
2 Gain on change in equity	17
3 Gain on receipt of investment securities	117
4 Reversal of reserve for financial products transaction liabilities	890
5 Other	33
Extraordinary income	1,104
VII Extraordinary Loss	
1 Loss on retirement of noncurrent assets	727
2 Loss on valuation of investment securities	155
3 Impairment loss	45
4 Other	683
Extraordinary Loss	1,611
Income before income taxes and minority interests(loss)	9,895
Income taxes-current	2,624
Income taxes-deferred	1,944
Income taxes	4,569
Minority interests in income (Loss)	(77)
Net income	5,403

**(2) Consolidated Statements of Cash Flows**

(Million of Yen)

	Six months ended June 30, 2008 (January 1 to June 30, 2008)
I Net cash provided by (used in) operating activities	
Income before income taxes and minority interests	14,056
Amortization of goodwill	1,926
Equity in (earnings) losses of affiliates	(53)
Depreciation and amortization	5,894
Loss on retirement of noncurrent assets	1,503
Loss (gain) on valuation of investment securities	641
Interest and dividends income	(675)
Interest expenses	829
Other loss (gain)	334
Decrease (increase) in notes and accounts receivable-trade	479
Decrease (increase) in accounts receivable-installment	(5,700)
Decrease (increase) in accounts receivable-installment sales-credit guarantee	459
Decrease (increase) in beneficial interests in securitized assets	(16,531)
Decrease (increase) in accounts receivable-installment sales-credit guarantee	(459)
Increase (decrease) in accounts payable-other and accrued expenses	(5,043)
Increase (decrease) in advances received	1,875
Increase (decrease) in deferred installment income	(118)
Decrease (increase) in operating receivables for security business	32,289
Increase (decrease) in operating payable for security business	(13,234)
Increase (decrease) in reserve for financial products transaction liabilities	(714)
Decrease (increase) in advances received from borrowing for securities business	(23,059)
Decrease (increase) in operating loans receivable	1,423
Other, net	(9,959)
Subtotal	(13,833)
Payments for guarantee deposits for business operation	(15,460)
Proceeds from guarantee deposits for business operation	15,753
Income taxes paid	(17,235)
Income taxes refund	775
Net cash provided by (used in) operating activities	(30,000)

	Six months ended June 30, 2008 (January 1 to June 30, 2008)
II Net cash provided by (used in) investment activities	
Purchase of investment securities	(945)
Proceeds from sales and redemption of investment securities	186
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(268)
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	184
Purchase of investments in subsidiaries	(230)
Purchase of property, plant and equipment	(2,810)
Proceeds from sales of property, plant and equipment	1,086
Purchase of intangible assets	(9,718)
Payments for lease and guarantee deposits	(199)
Proceeds from collection of lease and guarantee deposits	208
Payments of loans receivable	(102)
Collection of loans receivable	2
Other, net	(915)
Interest expenses paid	737
Net cash provided by (used in) investment activities	(12,782)

	Six months ended June 30, 2008 (January 1 to June 30, 2008)
III Net cash provided by (used in) investment activities	
Net increase (decrease) in short-term loans payable	(33,023)
Increase (decrease) in commercial papers	19,100
Proceeds from long-term loans payable	93,380
Repayment of long-term loans payable	(55,087)
Redemption of bonds	(2,495)
Proceeds from issuance of bonds	9,863
Proceeds from issuance of common stock	66
Proceeds from sales and leaseback	778
Repayments of lease obligations	(362)
Interest expenses paid	(847)
Proceeds from stock issuance to minority shareholders	533
Cash dividends paid	(1,287)
Cash dividends paid to minority shareholders	(292)
Net cash provided by (used in) financing activities	30,326
IV Effect of exchange rate change on cash and cash equivalents	(260)
V Net increase (decrease) in cash and cash equivalents	(12,716)
VI Cash and cash equivalents	73,860
VII Decrease in cash and cash equivalents resulting from exclusion of subsidiar	(7)
VIII Cash and cash equivalents	61,136

### (3) Business segment information

For the six months ended June 30, 2008 (January 1 to June 30, 2008)

(Million of Yen)

	E-Commerce	Credit Payment	Portal Media	Travel	Securities	Professional Sports	Telecommunications	Total	Elimination	Consolidate
Sales to customers	43,013	32,718	4,384	7,251	12,644	3,786	18,014	121,814	—	121,814
Intersegment sales	539	371	2,637	187	0	231	1	3,969	(3,969)	—
Total Sales	43,553	33,090	7,022	7,438	12,645	4,017	18,016	125,783	(3,969)	121,814
operating expenses	33,903	28,093	7,123	4,689	10,570	4,703	18,004	107,088	(3,540)	103,547
Operating Income (loss)	9,649	4,996	100	2,749	2,074	(685)	11	18,695	(428)	18,266

For the three months ended June 30, 2008 (April 1 to June 30, 2008)

(Million of Yen)

	E-Commerce	Credit and Payment	Portal Media	Travel	Securities	Professional Sports	Telecommunications	Total	Elimination	Consolidate
Sales to customers	22,192	16,237	2,047	3,659	6,325	2,827	9,000	62,291	—	62,291
Intersegment sales	247	216	1,338	73	(0)	112	1	1,988	(1,988)	—
Total Sales	22,439	16,454	3,385	3,733	6,324	2,940	9,001	64,280	(1,988)	62,291
operating expenses	16,828	13,986	3,538	2,311	5,115	2,537	8,819	53,137	(1,899)	51,238
Operating Income (loss)	5,611	2,467	(152)	1,421	1,209	402	182	11,142	(89)	11,053

### 8. Other Information

(Exercise of right to request buy-back of shares from Tokyo Broadcasting System Inc.)

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 its entire shareholding of 37,770,700 shares of common stock (recorded on the quarterly consolidated balance sheet at ¥57,260 million) of Tokyo Broadcasting System Inc. (now Tokyo Broadcasting System Holdings, Inc.).

Tokyo Broadcasting System Holdings, Inc. on May 1, 2009, and Rakuten, Inc. on May 14, 2009, submitted applications for determination of the acquisition price to the District Court of Tokyo. Currently, the procedures for determination of the acquisition price are pending at the District Court of Tokyo. Tokyo Broadcasting System Holdings, Inc. has proposed that it will pay ¥40.0 billion in advance as part of the charges for the relevant shares. Rakuten, Inc. agrees to receive that amount.

Receipt of the ¥40.0 billion was completed on July 31, 2009.

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