Rakuten, Inc. and Consolidated Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2009 and 2008

Rakuten, Inc. and Consolidated Subsidiaries

Consolidated Balance Sheets
December 31, 2009 and 2008

ASSETS	Millions of Yen 2009	Millions of Yen 2008	Thousands of U.S. Dollars (Note 1) 2009
CURRENT ASSETS:			
Cash and deposits (Note 4)	¥ 96,233	¥ 88,588	$ 1,044,878
Notes and accounts receivable — trade	37,842	32,241	410,885
Accounts receivable — installment (Note 4)	93,111	93,631	1,010,980
Accounts receivable — installment sales — credit guarantee (Note 6)	2,834	3,551	30,767
Beneficial interests in securitized assets (Note 5)	41,774	101,572	453,574
Cash segregated as deposits for securities business	223,909	214,892	2,431,148
Margin transactions assets for securities business	119,060	81,154	1,292,729
Operating loans (Notes 4, 5)	177,806	188,696	1,930,579
Short-term investment securities	18,014	2,629	195,597
Securities for banking business (Note14)	524,379	−	5,693,588
Loans for banking business	92,877	−	1,008,434
Deferred tax assets	13,680	12,829	148,536
Other	114,682	66,557	1,245,195
Allowance for doubtful accounts	(42,078)	(36,073)	(456,877)
Total current assets	1,514,125	850,267	16,440,012
NONCURRENT ASSETS:			
Property, plant and equipment	19,525	21,115	211,994
Intangible assets			
Goodwill (Note 7)	87,047	65,083	945,139
Other	33,481	28,230	363,530
Total intangible assets	120,528	93,313	1,308,669
NVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4, 14)	59,314	82,846	644,019
Deferred tax assets (Note 18)	26,136	15,510	283,773
Other	23,990	29,294	260,478
Allowance for doubtful accounts	(4,381)	(5,408)	(47,568)
Investments assets and other assets	105,059	122,243	1,140,703
Total noncurrent assets	245,112	236,671	2,661,365
TOTAL ASSETS	¥ 1,759,237	¥ 1,086,938	$ 19,101,377

The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at ¥92.10 to $1, the rate prevailing of exchange at December 31, 2009.

Rakuten, Inc. and Consolidated Subsidiaries

Consolidated Balance Sheets
December 31, 2009 and 2008

LIABILITIES AND NET ASSETS	Millions of Yen 2009	Millions of Yen 2008	Thousands of U.S. Dollars (Note 1) 2009
CURRENT LIABILITIES:			
Short-term debts (Note 3)	¥ 83,090	¥ 156,150	$ 902,171
Current portion of long-term debts (Note 3)	89,810	134,156	975,132
Notes and accounts payable — trade (Note 4)	28,232	20,210	306,534
Deposits for banking business	698,354	—	7,582,561
Accounts payable — credit guarantee (Note 6)	2,834	3,551	30,767
Income taxes payable (Note 18)	12,565	10,697	136,426
Deposits received for securities business	142,600	142,609	1,548,315
Margin transactions liabilities for securities business (Note 4)	59,016	53,539	640,779
Guarantee deposits received for securities business	89,122	88,749	967,666
Collateralized guarantee borrowings for securities business (Note 4)	—	4,607	—
Provision (Note 6)	12,318	13,452	133,741
Other (Note 4)	149,106	75,135	1,618,952
Total current liabilities	1,367,044	702,855	14,843,043
NONCURRENT LIABILITIES:			
Long-term debts (Notes 3, 4)	158,067	197,081	1,716,253
Provision for loss on interest repayments	10,275	15,365	111,564
Deferred tax liabilities (Note 18)	460	8,266	4,998
Other provision	357	375	3,875
Other	1,674	1,051	18,177
Total noncurrent liabilities	170,833	222,138	1,854,866
RESERVES UNDER THE SPECIAL LAWS:			
Reserve for financial instrument transaction liabilities	2,728	3,206	29,624
Reserve for commodities transaction liabilities	11	11	122
Reserves under the special laws	2,740	3,217	29,746
TOTAL LIABILITIES	1,540,617	928,210	16,727,655
NET ASSETS:			
SHAREHOLDERS' EQUITY			
Capital stock — authorized, 39,418,000 shares; issued, 13,096,980 shares in 2009 and 13,087,064 shares in 2008	107,606	107,535	1,168,357
Capital surplus	115,899	119,565	1,258,408
Retained earnings	(20,411)	(76,409)	(221,615)
Treasury stock — at cost, 979.50 shares in 2009 and 979.50 shares in 2008	(11)	(11)	(120)
Total shareholders' equity	203,083	150,681	2,205,030
VALUATION AND TRANSLATION ADJUSTMENTS:			
Valuation difference on available-for-sale securities	1,842	656	19,995
Deferred gains or losses on hedges	(305)	(336)	(3,316)
Foreign currency translation adjustments	(1,275)	(1,298)	(13,843)
Total valuation and translation adjustments	261	(978)	2,836
SUBSCRIPTION RIGHTS TO SHARES	609	243	6,610
MINORITY INTERESTS	14,666	8,781	159,245
TOTAL NET ASSETS	218,620	158,727	2,373,721
TOTAL LIABILITIES AND NET ASSETS	¥1,759,237	¥1,086,938	$ 19,101,377

Rakuten, Inc. and Consolidated Subsidiaries

Consolidated Statements of Income
Years Ended December 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
NET SALES	¥ 298,252	¥ 249,883	$ 3,241,518
COST OF SALES	70,039	55,347	761,214
Gross profit	228,213	194,537	2,480,304
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 8)	171,564	147,385	1,864,621
Operating income	56,649	47,151	615,683
OTHER INCOME (EXPENSES):			
Interest income	183	171	1,991
Dividend income	185	867	2,015
Foreign exchange gain (loss)	15	(68)	166
Equity in earnings (losses) of affiliates	527	(116)	5,731
Interest expenses	(2,216)	(2,224)	(24,080)
Commission fee	(645)	(1,244)	(7,012)
Gain on receipt of investment securities	—	267	—
Gain on change in equity	4,034	31	43,846
Reversal of provision for loss on business liquidation	352	185	3,823
Reversal of reserve for financial instruments transaction liabilities	478	714	5,197
Loss on sales of noncurrent assets (Note 9)	—	(145)	—
Loss on retirement of noncurrent assets	(1,087)	(1,855)	(11,810)
Office transfer expenses	—	(691)	—
Provision for loss on business liquidation	—	(4,481)	—
Loss on valuation of investment securities	(1,773)	(67,177)	(19,273)
Restructuring loss	(696)	—	(7,561)
Impairment loss (Note 10)	(2,125)	(5,418)	(23,098)
Other — net	(1,353)	(1,791)	(14,705)
Other expenses — net	(4,119)	(82,141)	(44,771)
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTERESTS	52,530	(34,989)	570,913
INCOME TAXES (Note 18)			
Income taxes — current	17,452	15,695	189,672
Income taxes — deferred	(18,059)	4,911	(196,270)
Income taxes	(607)	20,606	(6,598)
MINORITY INTERESTS IN LOSS	(428)	(618)	(4,645)
NET INCOME (LOSS)	¥ 53,564	¥ (54,978)	$ 582,155

See notes to consolidated financial statements.

Rakuten, Inc. and Consolidated Subsidiaries

Consolidated Statements of Changes in Net Assets
Year Ended December 31, 2009

	Millions of Yen									
	As of Dec. 31, 2008	Changes in fiscal year 2009								As of Dec. 31, 2009
		Issuance of capital stock	Dividends from surplus-other capital surplus	Deficit disposition	Net income	Changes in the scope of consolidation	Disposal of treasury stock	Net changes in items other than those in shareholders' equity	Total of changes in fiscal 2009	
Capital stock	¥107,535	¥71	—	—	—	—	—	—	¥71	¥107,606
Capital surplus	119,565	71	¥ (1,309)	¥ (2,428)	—	—	—	—	(3,666)	115,899
Retained earnings	(76,409)	—	—	2,428	¥53,564	¥ 5	¥0	—	55,998	(20,411)
Treasury stock	(11)	—	—	—	—	—	—	—	0	(11)
Shareholders' equity	150,68	142	(1,309)	—	53,564	5	0	—	52,403	203,083
Valuation difference on available -for-sale securities	(656)	—	—	—	—	—	—	¥1,186	1,186	1,842
Deferred gains or losses on hedges	(336)	—	—	—	—	—	—	30	30	(305)
Foreign currency translation adjustments	(1,298)	—	—	—	—	—	—	23	23	(1,275)
Valuation and translation adjustments	(978)	—	—	—	—	—	—	1,239	1,239	(261)
Subscription rights to shares	243	—	—	—	—	—	—	366	366	609
Minority interests	8,781	—	—	—	—	—	—	5,885	5,885	14,666
Net assets	¥158,727	¥142	¥ (1,309)	—	¥53,564	¥5	¥0	¥7,490	¥ 59,892	¥218,620
Net assets, Dec.31, 2009 thousands of U.S. dollars (Note 1)	$1,723,424	$1,540	$ (14,209)	$ —	$581,586	$58	$0	$81,322	$ 650,298	$2,373,721

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows
Years Ended December 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
NET CASH USED IN OPERATING ACTIVITIES:			
Income (loss) before income taxes and minority interests	¥ 52,530	¥ (34,989)	$ 570,355
Adjustments for:			
Depreciation and amortization	14,361	12,284	155,929
Amortization of goodwill	5,524	3,931	59,976
Decrease in allowance for doubtful accounts	(6,919)	(8,125)	(75,120)
Decrease in provision for loss on interest repayments	(5,090)	(4,710)	(55,264)
Gain on change in equity	(4,034)	(31)	(43,803)
Interest expenses	2,216	2,224	24,057
Loss on valuation of securities for banking business	2,478	—	26,910
Gain on sales of securities for banking business	(110)	—	(1,197)
Loss on valuation of investment securities	1,773	67,177	19,254
Loss on retirement of noncurrent assets	1,104	1,855	11,987
Other loss	615	4,004	6,682
Increase in notes and accounts receivable — trade	(3,470)	(4,146)	(37,681)
Decrease (increase) in accounts receivable — installment	520	(22,892)	5,646
Decrease in beneficial interests in securitized assets	39,798	8,572	432,117
Increase in operating loans receivable	(81,434)	(29,732)	(884,190)
Increase in notes and accounts payable — trade	7,138	3,545	77,508
Decrease in deposits for banking business	(73,047)	—	(793,125)
Decrease in call loans for banking business	21,000	—	228,013
Decrease in loans for banking business	4,669	—	50,693
(Increase) decrease in operating receivables for securities business	(45,687)	128,326	(496,053)
Decrease in cash segregated as deposits for securities business	4,700	—	51,031
Increase (decrease) in operating payable for securities business	5,842	(77,630)	63,433
Increase (decrease) in loans payable secured by securities for securities business	5,505	(36,059)	59,769
Other — net	12,789	(4,768)	138,859
Subtotal	(37,228)	8,836	(404,216)
Payments for guarantee deposits for business operation	(2,665)	(23)	(28,940)
Proceeds from guarantee deposits for business operation	41	143	444
Income taxes paid	(16,420)	(23,453)	(178,281)
Income taxes refund	1,054	1,031	11,440
Net cash used in operating activities — (Carried forward)	¥ (55,219)	¥ (13,467)	$ (599,553)

See notes to consolidated financial statements.

Rakuten, Inc. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows
Years Ended December 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
Net cash used in operating activities — (Brought forward)	¥ (55,219)	¥ (13,467)	$ (599,553)
NET CASH PROVIDED BY (USED IN) INVESTMENT ACTIVITIES:			
Payments into time deposits	(10,982)	(9,296)	(119,240)
Proceeds from withdrawal of time deposits	8,386	3,873	91,051
Purchase of securities for banking business	(526,820)	—	(5,720,085)
Proceeds from sales and redemption of securities for banking business	723,626	—	7,856,963
Proceeds from a exercise of appraisal rights for investment securities	40,000	—	434,311
Purchase of investments in subsidiaries	(1,670)	(404)	(18,134)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(3,293)	(537)	(35,751)
Purchase of property, plant and equipment	(2,886)	(3,699)	(31,332)
Proceeds from sales of property, plant and equipment	201	1,663	2,177
Purchase of intangible assets	(10,030)	(12,848)	(108,900)
Payments for lease and guarantee deposits	(1,165)	(257)	(12,653)
Proceeds from collection of lease and guarantee deposit	1,406	1,350	15,262
Other payments	(1,006)	(24,125)	(10,923)
Other proceeds	694	2,183	7,536
Interest and dividends income received	700	1,120	7,596
Net cash provided by (used in) investment activities	217,160	(40,977)	2,357,877
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES:			
Net (decrease) increase in short-term loans payable	(77,600)	6,905	(842,567)
Increase in commercial papers	4,600	7,700	49,946
Proceeds from long-term loans payable	49,650	146,547	539,088
Repayment of long-term loans payable	(135,204)	(101,509)	(1,468,018)
Proceeds from issuance of bonds	1,234	9,863	13,398
Redemption of bonds	(6,010)	(4,990)	(65,255)
Repayments of lease obligations	(3,532)	(810)	(38,347)
Purchase of treasury stock of consolidated subsidiary	(4,116)	0	(44,690)
Interest expenses paid	(2,246)	(2,310)	(24,384)
Cash dividends paid	(1,309)	(1,299)	(14,216)
Other	376	1,271	4,086
Net cash (used in) provided by financing activities	(174,157)	62,397	(1,890,959)
EFFECT OF EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS	(37)	(866)	(402)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(12,253)	7,088	(133,036)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	¥81,284	¥73,861	$882,562
INCREASE IN CASH AND CASH EQUIVALENTS FROM NEWLY CONSOLIDATED SUBSIDIARY	34,751	342	377,320
DECREASE IN CASH AND CASH EQUIVALENTS RESULTING FROM EXCLUSION OF SUBSIDIARIES FROM CONSOLIDATION	(164)	(7)	(1,781)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR (Note 1)	¥103,618	¥81,284	$1,125,064

See notes to consolidated financial statements.

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and have been compiled from the consolidated financial statements prepared by Rakuten, Inc. (the “Company”) and consolidated subsidiaries as required by the Financial Instruments and Exchange Law of Japan.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥92.10 to $1, the approximate rate of exchange at December 31, 2009. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Certain amounts in the prior years’ financial statements have been reclassified to conform to the current year’s presentation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. ***Consolidation—***The consolidated financial statements as of December 31, 2009 include the accounts of the Company and its 43 (46 in 2008) significant subsidiaries (together, the “Group”). Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated.

Investments in 7 (10 in 2008) affiliates are accounted for by the equity method. Those companies over which the Group has the ability to exercise a significant influence in terms of their operating and financial policies are accounted for by the equity method.

Investments in the remaining 20 (17 in 2008) non-consolidated subsidiaries and affiliates are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

b. ***Cash and Cash Equivalents—***Cash and cash equivalents as stated in the consolidated statements of cash flows consist of cash on hand, securities and deposits that can be converted to cash at any time, and short-term liquid investments with a maturity not exceeding three months at the time of purchase and whose value is not subject to significant fluctuation risk. In addition, the scope of cash and cash equivalents for certain consolidated subsidiaries involved in the banking business consist of cash and due from banks recorded under cash and deposits on the consolidated balance sheets.

c. ***Securities—***Marketable and investment securities are classified and accounted for, depending on management’s intent, as follows: (1) trading securities, which are held for the purpose of earning capital gains in the near term are reported at fair value, and the related unrealized gains and losses are included in earnings, (2) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity are reported at amortized cost, (3) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. The cost of available-for-sale securities sold is computed by the moving-average method and (4) non-marketable available-for-sale securities are stated at cost determined by the moving-average method. (5) held-to-maturity debt securities for the banking business are amortized on a cost basis using the moving average method (straight-line amortization). Available-for-sale securities are stated at fair value, using the mark-to-market method based on the market prices at the closing date (valuation differences are reported as a component of net assets, and are primarily calculated as cost of sales using the moving average method). Non-marketable available-for-sale securities are stated at cost or the amortized cost method using the moving average method.

d. ***Property, Plant and Equipment—***Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment is computed mainly by the declining-balance method at rates based on the estimated useful lives of the assets subject to corporate tax law, while the straight-line method is applied to buildings.

e. ***Intangible Assets—***Amortization on intangible assets is computed by the straight-line method. Software for internal use is amortized by the straight-line method over its estimated useful life (generally five years).

f. ***Leases—***For leased assets acquired before the Japanese accounting standards for leases changed, finance leases that deem to transfer ownership of the leased assets to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements.
Leased assets under finance leases that transfer ownership of the leased assets are depreciated using the same method that is applied to fixed assets. Assets leased in finance leases that do not transfer ownership of the leased assets are depreciated by the straight-line depreciation method over the estimated useful lives of the each asset, which is deemed to be the lease period, with zero residual value.

g. ***Allowance for Doubtful Accounts—***An allowance equal to estimated losses is established to prepare for losses from credit guarantees. The method of estimating the allowance is based on credit loss ratio for general credit, and on likelihood of collection for doubtful accounts. Allowance for doubtful accounts of a certain consolidated subsidiary in the banking business is provided for in accordance with internally developed standards for write-offs and provisions to allowance for loan losses, as follows. Claims considered normal claims or claims requiring caution (provided as stipulated in the "Practical Guidelines for Evaluation of Internal Control over Valuation of Assets and Audits for Write-offs and Reserves for Possible Loan Losses of Banks and Similar Institutions" (Report No. 4 of Ad Hoc Committee for Audits of Banks of the Japanese Institute of Certified Public Accountants) are classified into specific classes and then an allowance is provided based on reasonable calculations of estimated loss ratios. Provisions for claims considered potentially bankrupt are made in the amount deemed necessary after subtracting the expected collectable amounts of collateral and guarantees. For claims considered bankrupt or substantially bankrupt, the amount remaining after subtracting the expected collectable amounts of collateral and guarantees is transferred to the reserve. Following the Company's asset self-assessment standards, operating departments conduct an asset assessment, and the Asset Audit Department, which is independent of operations, then audits the assessment results. The provisions mentioned above are then made for all claims based on these assessments.

h. ***Allowance for bonus—***An allowance for bonus is provided for the estimated amounts to be paid in the subsequent period based on the service provided during the current year.

i. ***Reserve for Points—***An amount equivalent to points that are earned by customers and are expected to be used in the future is recorded for the fiscal year. A provision of allowance for points is included in selling, general and administrative expenses.

j. ***Allowance for Retirement Benefits—***At certain consolidated subsidiaries, an allowance is made for employees' retirement benefits based on the estimated benefit obligation at the fiscal year-end. Actuarial differences are recorded from the following fiscal year by the straight-line method using a fixed number of years (10 years) within the average remaining service period of employees.

k. ***Allowance for Loss on Interest Repayments—***A certain consolidated subsidiary has calculated and recorded an allowance for expected losses on interest repayments based on factors such as the actual ratio of repayments made and average amount of repayments over the reasonable estimate period. The expected loss of ¥10,277million (¥14,068 million in 2008) for write-offs of principals by interest repayment claims was included in the allowance for doubtful accounts.

l. ***Reserve for Financial Instrument Transaction Liabilities—***At a certain consolidated subsidiary, provision is made for possible loss resulting from securities transaction accidents. The amount of the reserve is provided based on Article 175 of the Cabinet Order Concerning Transactions in Financial Instruments, which is based on the provisions of Article 46-5 of the Financial Instruments and Exchange Law.

m. Reserve for Liabilities on Transaction in Commodities—A certain consolidated subsidiary allocate the amounts stipulated in the Commodity Exchange Law to provide for losses resulting from contingencies relating to commodity transactions, in accordance with the provisions of Article 221 of the Commodity Exchange Law.

n. Derivatives and Hedging Accounting

Hedging policies:

The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts, interest rate swaps and interest rate caps are utilized by the Group to reduce foreign currency exchange and interest rate risks. The Group does not enter into derivatives for trading or speculative purposes.

Interest rate swaps and interest rate caps are used to establish hedges for exposure to interest rate volatility risk associated with borrowings. Hedged items are identified by each individual contract. Interest caps are applied to all short-term borrowings by a certain consolidated subsidiary.
Foreign exchange volatility risks associated with foreign currency-denominated receivables and payables relating to business transactions are, in accordance with certain company rules, managed by using currency forward agreements to reduce foreign currency exchange risks in actual demand of securities transactions. Holdings of foreign currency deposits and foreign currency-denominated securities carry the risk of exchange rate and market price fluctuations. Exchange contracts are used, subject to specific rules, to avoid this risk.

Hedge accounting:

Deferred hedge accounting has been adopted. However, a special method is used for transactions which meet certain conditions. The appropriation method has been adopted for foreign currency-denominated receivables and payables with currency forward agreements.

Hedging instruments and hedged items:

Hedging instruments comprise currency forward agreements, interest rate swaps and interest rate caps. Hedged items comprise foreign currency-denominated receivables and payables relating to business transactions, foreign currency deposits, foreign currency-denominated securities and loans.

Method for evaluating effectiveness of hedging activities:

For interest rate swaps and interest rate caps, the company compares the cumulative changes in cash flows of the hedged items and hedging instruments every three months. The effectiveness of the hedge is determined based on the cumulative changes of the hedged items and instruments, along with other items. However, this evaluation is not performed for interest rate swaps that is applied special methods.
For currency forward agreements, the effectiveness is determined by the currency, amount and settlement date of the hedged item based on the company management data.

o. Consumption Taxes—The tax-excluded method is used in consumption tax accounting for national and local consumption taxes.

p. Goodwill—The excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition is called goodwill. The goodwill is amortized over the period in which such action is deemed effective. However, if the amount is immaterial, the entire amount is amortized at the date of acquisition.

q. Foreign Currency Financial Statements—The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the exchange rate as of the balance sheet date except for net assets, which is translated at the historical rate. Revenue and expense accounts of consolidated foreign subsidiaries are translated into Japanese yen at average rate of exchange for the fiscal periods.
Differences arising from such translation are shown as “Foreign currency translation adjustments” in a separate component of net assets.

r. ***Income Taxes***—The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

s. ***Retained earnings***—The Corporation Law of Japan provides that an amount equal to 10% of the amount to be distributed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock amount.

3. SHORT-TERM AND LONG-TERM DEBT

Short-term debt at December 31, 2009 and 2008 consisted of notes to banks, bank overdrafts, commercial paper and lease obligations. Short-term and long-term debt at December 31, 2009 and 2008 consisted of the following:

Corporate bonds

	Millions of Yen	
	2009	2008
Rakuten, Inc. (due 2010 with interest rate of 1.09%)	¥2,000	¥6,000
Rakuten Credit, Inc. (due 2010 with interest rate of 1.75%)	—	2,010
Rakuten, Inc. (due 2012 with interest rate of 1.68%)	10,000	10,000
eBANK Corporation (due 2015 with interest rate of 5.43%)	10,000	—
FUSION COMMUNICATIONS CORPORATION (due 2012 with interest rate of 0.78%)	1,234	—
Total	¥23,234	¥18,010

The amounts of corporate bonds due for redemption in each of the five years after the consolidated balance sheet date are as follows:

Year Ending December 31	Millions of Yen 2009
2010	¥4,246
2011	4,494
2012	4,494
2013	—
2014	—
Total	¥13,234

Borrowing and others

	Millions of Yen	
	2009	2008
Short-term bank loans	¥ 64,490	¥ 142,150
Long-term bank loans, due within one year	85,247	128,185
Long-term bank loans, due after one year	138,333	181,065
Other debt with interest		
Commercial paper	18,600	14,000
Margin transaction liabilities	24,903	25,251
Lease obligation, due within one year	316	981
Lease obligation, due after one year	748	2,996
Total	¥ 332,635	¥ 494,628

Weighted average interest rates of loans as of December 31, 2008 and 2009 were as follows:

	2009	2008
Short-term bank loans	1.58%	1.76%
Long-term bank loans, due within one year	2.03%	2.15%
Long-term bank loans, due after one year	1.72%	1.94%
Commercial paper	1.18%	2.39%
Margin transaction liabilities	1.11%	1.11%
Lease obligation, due within one year	—	—
Lease obligation, due after one year	—	—

Annual maturities of long-term bank loans and lease obligations at December 31, 2009 were as follows:

Year Ending December 31	2009 Millions of Yen
2010	¥85,563
2011	66,307
2012	40,003
2013	23,928
2014	6,342

Unused commitment lines for financing at December 31, 2009 and 2008 amounted to ¥80,400 million and ¥23,680 million, respectively.

4. PLEDGED ASSETS

(1) *Assets pledged as collateral:*

The carrying amounts of assets pledged as collateral at December 31, 2009 and 2008 were as follows:

	Millions of Yen	
	2009	2008
Deposits	¥ 100	¥ 100
Accounts receivable — installment and operating loans	52,963	127,970
Receivable from lease contracts	50	169
Investment securities	1,260	43,771
Total	¥54,373	¥172,010

Securities in custody from customers in the amount of ¥6,699 million and ¥7,967 million were pledged as collateral for short-term bank loans at December 31, 2009 and 2008, respectively. Securities in the amount of ¥24,612 million and ¥25,665 million were pledged as collateral for short term loans and borrowings related to margin transactions at December 31, 2009 and 2008, respectively. Securities loaned were pledged as collateral for borrowings in the amount of ¥10,112 million and ¥4,607 million at December 31, 2009 and 2008, respectively.

Securities for banking business, which were pledged as collateral for foreign exchange settlements, derivative and other transactions, and for issuing letters of credit, were ¥79,022 million at December 31, 2009. Other collateral included in current assets includes ¥5,945 million for initial margins related to futures trading and ¥698 million for guarantees pledged by consolidated subsidiaries in the banking business, and ¥8,567 million of short-term guarantee deposits pledged by a consolidated subsidiary in the securities business.

(2) Liabilities for which assets were pledged as collateral:

	Millions of Yen	
	2009	2008
Short-term bank loans	¥ 20,190	¥ 41,395
Long-term bank loans, due within one year	46,905	92,740
Borrowings related to margin transactions	24,903	84,409
Long-term bank loans, due after one year	32,418	115,739
Accrued liabilities	141	71
Accounts payable	1,757	1,780
Total	¥126,314	¥224,105

(3) Fair value of marketable securities pledged as collateral:

	Millions of Yen	
	2009	2008
Securities loaned on margin transactions	¥ 36,107	¥ 30,588
Securities pledged for loans payable for margin transactions	24,826	26,035
Securities loaned by promissory note collateralized	9,664	4,483

(4) Fair value of marketable securities received as collateral:

	Millions of Yen	
	2009	2008
Securities pledged for loans receivable for margin transactions	¥ 99,774	¥ 60,732
Securities borrowed on margin transactions	10,812	8,340
Substitute securities for guarantee deposits received on futures	174,900	119,187

5. LINE-OF-CREDIT AGREEMENTS

Certain subsidiaries make loans to customers who have credit cards or loan cards issued by the subsidiaries. Unused lines of credit granted to customers amounted to ¥1,229,554 million and ¥977,673 million at December 31, 2009 and 2008, respectively.

6. COMMITMENTS AND CONTINGENCIES

Installment accounts receivable, guarantee contracts and accounts receivable, guarantee contracts which a consolidated subsidiary does not provide certain services for collection are not recorded in the consolidated balance sheet. Such balance as of December 31 2009 and 2008 were as follows:

	Millions of Yen	
	2009	2008
Credit guarantee	¥29,542	¥33,699
Provision for loss on guarantees	(102)	(90)

Total	¥29,440	¥33,609

The Group had guarantees for customers in the amount of ¥181 million and ¥201 million at December 31, 2009 and 2008, respectively.

7. GOODWILL

The change in the carrying amount of goodwill for the years ended December 31, 2009 and 2008 was as follows:

	Millions of Yen
Balance at December 31, 2007	¥ 64,466
Goodwill acquired during the year	5,680
Amortization	(3,931)
Impairment	(1,132)
Balance at December 31, 2008	¥ 65,083
Goodwill acquired during the year	27,886
Amortization	(5,524)
Impairment	(398)
Balance at December 31, 2009	¥87,047

Goodwill acquired during fiscal 2009 mainly consisted of goodwill related to the acquisition of eBANK Corporation. Goodwill of Cause Loyalty, LLC was impaired in fiscal 2009 due to the difficulty in recovery of the company's net assets based on estimated future financial performance under the current business environment. Goodwill acquired during fiscal 2008 mainly consisted of goodwill related to the acquisition of additional share of O-net, Inc. Goodwill of Rakuten Research, Inc. was impaired in fiscal 2008 due to the difficulty in recovery of the company's net assets based on estimated future financial performance under the current business environment.

8. SALES, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses comprises as follows:

	Millions of Yen	
	2009	2008
Point costs	¥ 6,809	¥3,480
Advertising and promotion expenses	16,772	11,645
Personnel expenses	41,181	33,150
Provision for bonuses	1,897	1,208
Depreciation	12,850	11,145
Communication and maintenance expenses	13,235	13,520
Outsourcing expenses	21,181	21,604
Provision of allowance for doubtful accounts	16,212	14,897
Other	41,427	36,736
Total selling, general and administrative expenses	¥ 171,564	¥ 147,385

Research and development cost in general administration expenses for the year ended December 31, 2009 and 2008 were ¥214 million and ¥188 million yen respectively.

9. GAIN/LOSS ON SALES OF NONCURRENT ASSETS AND LOSS ON RITIREMENT OF NONCURRENT ASSETS

The gains on sales of noncurrent assets for the year ended December 31, 2009 and 2008 were as follows:

	Millions of Yen	
	2009	2008
Land	—	¥ 121
Other	—	0
Total gain on sales of noncurrent assets	—	¥121

The losses on sales of noncurrent assets for the year ended December 31, 2009 and 2008 were as follows:

	Millions of Yen	
	2009	2008
Building and structures	—	¥65
Tools, equipment and fixtures	—	44
Software	—	20
Other	—	16
Total loss on sales of noncurrent assets	—	¥145

The losses on retirement of noncurrent assets for the year ended December 31, 2009 and 2008 were as follows:

	Millions of Yen	
	2009	2008
Building and structures	—	¥331
Tools, equipment and fixtures	¥103	228
Machinery and equipment	—	510
Software	866	659
Other	118	127
Total loss on retirement of noncurrent assets	¥1,087	¥1,855

10. IMPAIRMENT LOSSES

The Rakuten Group recorded the following impairment losses in the year ended December 31, 2009:

Main assets for which impairment losses were recognized:

Unit	Business use	Type of asset	Impairment loss (Millions of yen)
Rakuten Financial Solutions, Inc.	Banking Business	Software	¥730
eBANK Corporation	Alliance credit card services	Software	198
	Personal loans	Software in progress	249
	Yokohama call center	Other	5
Cause Loyalty, LLC	—	Goodwill	338
	Advertising Business	Other	16
Rakuten KC Co. Ltd.	Real estate for rent Idle assets	Land	155
		Buildings	142
Fusion Communications Corporation	Telecommunications	Leased assets	190
—	—	Other	102
Total			¥2,125

(A) Asset Grouping Method

The Rakuten Group generally groups its assets by business unit except for idle assets and real estate for rent, which are assessed by individual properties.

(B) Information on Recognition of Impairment Losses

a. Rakuten Financial Solutions, Inc.
Impairment loss was recorded for an accounting system and related facilities judged to have no prospect for future use.

b. eBANK Corporation
In conjunction with eBANK's withdrawal from credit card services with a business partner, an impairment loss was recorded for associated systems with no plans for future use. An impairment loss was also recorded for software development related to personal loan services that was postponed following a reevaluation of development plans due to the merger with Rakuten Credit, Inc.

c. Cause Loyalty, LLC
In consideration of the future profit outlook for the company's business environment, recovery of net asset value was judged to be unlikely and an impairment loss was taken on goodwill.

d. Rakuten KC Co., Ltd.
The likelihood of recovering investment in real estate for rent was significantly reduced, due primarily to tenant vacancy, and an impairment loss was recorded against the real estate.

e. FUSION COMMUNICATIONS CORPORATION
An impairment loss was recorded on the assets for businesses with terminated services, deteriorating profitability, and assets scheduled for disposal as part of a facilities' relocation.

(C) Method Used for Estimated Recoverable Amounts

Recoverable amounts are calculated by using agreed sale prices in the case of business assets on sale agreements, and the appraised values of leased real estate. The recoverable amounts of other business assets, idle assets and goodwill are deemed to be zero.

11. CASH AND CASH EQUIVALENTS

The reconciliation between the year-end balance of cash and deposits stated in the consolidated balance sheet and cash and cash equivalents stated in the consolidated statement of cash flow was as follows:

	Millions of Yen	
Year Ending December 31	2009	2008
Cash and deposits	¥ 96,233	¥ 88,588
Securities	17,944	2,629
Time deposit over three months' maturity	(9,040)	(4,396)
Due from foreign banks	(825)	—
Deposits separately kept	—	(4,700)
Deposits with restrictions	(694)	(837)
Cash and cash equivalents	¥ 103,618	¥ 81,284

12. LEASES

A. The Group leases buildings, machinery, furniture and fixtures, software and vehicles.

Lessee's accounting

a. Pro forma information regarding of leased assets acquired before change of accounting standard for lease such as acquisition cost, accumulated depreciation, obligations under finance lease, depreciation expense, impairment losses interest expense and other information regarding of finance leases that do not transfer ownership of the leased assets to the lessee on an "as if capitalized" basis for the years ended December 31, 2009 and 2008 were as follows:

	Millions of Yen 2009				
	Vehicles	Furniture and fixtures	Machinery	Software	Total
Acquisition cost	¥21	¥6,226	¥7,917	¥837	¥15,001
Less: Accumulated depreciation	18	4,247	5,143	541	9,949
Impairment loss	—	214	—	7	221
Net amount	¥3	¥1,765	¥2,774	¥289	¥4,831

	Millions of Yen 2008					
	Buildings	Vehicles	Furniture and fixtures	Machinery	Software	Total
Acquisition cost	¥12	¥21	¥8,277	¥8,264	¥1,121	¥17,695
Less: Accumulated depreciation	8	14	4,181	4,688		9,698
Impairment loss	—	—	—	155	—	155
Net amount	¥4	¥7	¥4,096	¥ 3,421	¥ 314	¥7,842

b. Obligations under finance leases:

Millions of Yen

	2009	2008
Due within one year	¥2,691	¥ 3,289
Due after one year	2,427	4,839
Total	¥5,118	¥8,128

c. Lease payment depreciation expense, deemed interest expenses and other information under finance leases:

	Millions of Yen	
	2009	2008
Lease payments	¥3,684	¥4,440
Reversal of impairment of leased assets	72	100
Depreciation expense	3,397	4,021
Deemed interest expense	185	273
Impairment loss	95	1,268

d. Depreciation expense and interest expense, which are not reflected in the accompanying consolidated statements of income, are computed by the straight-line method and the interest method, respectively.

B. Finance Lease

Finance leases that do not transfer ownership

a. Description of leased assets

i. Tangible fixed asset

These consist primarily of telephone exchange equipment (tools, equipment, fixtures) used for the Credit Card Business, as well as a charging system and telecommunications equipment used for the Telecommunications Business.

ii. Intangible fixed assets

This consists of software.

b. Depreciation method for leased assets

The method is as described in “Basis of Presenting Consolidated Financial Statements” under “f. Leases” of “2.Summary of Significant Accounting Policies.”

Obligations under operating leases:

	Millions of Yen	
	2009	2008
Due within one year	¥478	¥415
Due after one year	2,139	2,366
Total	¥2,617	¥2,781

13. LEASED ASSETS

Pro forma information regarding of leased assets acquired before change of accounting standard for lease such as acquisition cost, accumulated depreciation, obligations under finance lease, depreciation expense, impairment loss, interest expense and other information regarding of finance leases that do not transfer ownership of the leased assets to the lessee on an “as if capitalized” basis for the years ended December 31, 2009 and 2008 were as follows:

Lessor’s accounting

Millions of Yen	
2009	2008

Furniture and fixtures	¥ 6,985	¥ 8,733
Other	21	86
Total	7,006	8,819
Accumulated depreciation	(6,862)	(8,491)
Net leased assets	¥144	¥328

The aggregate receivables from the lessees including equipment costs, unearned income and executory costs, which were not recorded on the books of account, as of December 31, 2009 and 2008, were as follows:

	Millions of Yen	
	2009	2008
Due within one year	¥103	¥191
Due after one year	40	154
Total	¥143	¥345

Receivables from unexpired leases related to subleased items other than which listed above amount to ¥2,701 million and ¥6,725 at December 31, 2009 and 2008.

Receivables lease fees, depreciation and deemed interest income as of December 31, 2009 and 2008 were as follows:

	Millions of Yen	
	2009	2008
Receivable lease fees	¥202	¥228
Depreciation	139	207
Deemed interest income	16	22

The booked amount of interest income is based on the interest method.

14. SECURITIES

A. The costs, unrealized gains and losses and aggregate fair values of marketable securities at December 31, 2009 and 2008 were as follows:

	Millions of Yen			
December 31, 2009	Cost	Unrealized gains	Unrealized losses	Fair value
Marketable securities classified as				
Trading	—	—	—	¥57
Available-for-sale				
Equity securities	¥54,653	¥2,131	¥2,844	¥53,940
Corporate bonds	70	—	—	70

Note: The carryings values shown above are the amounts after adjustment for impairment losses. A valuation loss on investment securities of ¥848 million was recognized in fiscal 2009.

December 31, 2008	Millions of Yen Cost	Unrealized Gains	Unrealized Losses	Fair Value
Marketable securities classified as				
Trading	—	—	—	¥118
Available-for-sale				
Equity securities	¥54,946	¥2,586	¥609	56,923
Other	50	13	—	63

Note: The carryings values shown above are the amounts after adjustment for impairment losses. A valuation loss on investment securities of ¥66,952 million was recognized in fiscal 2008.

Available-for-sale securities for which fair value is not readily determinable as of December 31, 2009 and 2008 were as follows:

	Millions of Yen 2009	2008
Unlisted equity securities	¥ 3,559	¥ 24,249
Negotiable deposits	16,000	—
Open-end bond investment trust	1,944	2,629
Other	512	641

Redemption schedule of debt securities with contractual maturities classified as available-for-sale securities at December 31, 2009 and 2008, were as follows:

	Millions of Yen 2009	2008
Due within one year		
Negotiable deposits	¥16,000	—
Corporate bonds	70	—

B. Securities for banking bushiness

Trading securities: None

Held-to-maturity debt securities with fair value at December 31, 2009 were as follows:

	Millions of Yen Carrying value	Fair value	Unrealized gains
Local government bonds	¥7,109	¥7,218	¥109
Other securities	4,000	4,294	294
Total	¥11,109	¥11,512	¥403

“Fair value” is based on the market prices, etc. as of December 31, 2009

The costs, unrealized gains and losses and aggregate fair values of marketable securities for banking business at December 31, 2009 were as follows:

	Millions of Yen			
December 31, 2009	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale				
Stocks	¥28	¥0	—	¥28
Bonds				
JGB	207,895	5,502	¥255	213,142
Short-term corporate bonds	22,492	0	0	22,491
Corporate bonds	27,536	232	83	27,654
Others	125,152	2,938	1,947	126,143
Total	¥383,103	¥8,672	¥2,285	¥389,489

Notes:

1. The carrying value on the consolidated balance sheets is stated at fair value based on market prices or similar data as of December 31, 2009.
2. If the fair value of an available-for-sale security for which fair value accounting applies has declined by 50% or more from the purchase cost, then, in the absence of any reasonable evidence to the contrary, such decline in value will be regarded as material to the extent that recovery cannot be expected. The security will be reported on the consolidated balance sheets at the corresponding fair value, and the valuation difference will be treated as an impairment loss in the same fiscal year. Furthermore, if the fair value has declined by less than 50%, but has depreciated by at least 30%, an assessment is made of the likelihood that the asset will recover its fair value and any required losses for impaired assets will be recorded. Impairment losses for fiscal 2009 were ¥1,868 million.
3. An amount of ¥897 million was reflected in the income statement due to the treatment of embedded derivatives as part of a hybrid security.
4. Among securities in the banking business that should be stated at fair value, the market price of floating rate Japanese government bonds in a market with a large gap between buyers' and sellers' desired prices is not regarded as the fair value. Instead, an amount calculated on a reasonable basis is assigned as the fair value. Therefore, compared with a case in which fair value is estimated by market prices, the value of securities in the banking business increased by ¥9,179 million, the valuation difference on available-for-sale securities increased by ¥6,002 million, and deferred tax liabilities increased by ¥3,177 million.
   The value calculated on a reasonable basis for floating rate government bonds was set to the net present value (after adjustment for convexity) of all future interest payments as calculated from the government bond forward curve and the cash flow at redemption. The main variables applied for price determination were the yield on Japanese government bonds and the volatility of interest rate swap options on 10-year underlying assets.

Other securities sold during fiscal 2009 were as follows:

	Millions of Yen
	2009
Proceeds from sales	¥333,359
Total gains	323
Total losses	167

Available-for-sale securities in the banking business for which fair value is not readily determinable as of December 31, 2009 were as follows:

	Millions of Yen
	2009
Other securities	
Unlisted equity securities	¥1
Unlisted foreign securities	50
Industrial bonds	10,886
Deemed securities	387
Monetary claims bought	112,457
Total	¥123,781

The redemption schedule by term for held-to-maturity bonds and other securities with maturities at December 31, 2009 were as follows:

	Millions of Yen			
	1 year or less	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
Bonds				
JGB	¥45,053	—	¥95,019	¥73,071
Local government bonds	—	¥7,109	—	—
Short-term corporate bonds	22,492	—	—	—
Corporate bonds	7,674	7,502	3,687	19,707
Other	11,898	150,517	53,568	22,560
Total	¥87,117	¥165,128	¥152,274	¥115,338

15. DERIVATIVES

(1) Transaction types

The Rakuten Group enters into the following derivative transactions: foreign exchange forward contracts, interest rate swaptions, interest rate swaps, interest rate cap transactions foreign exchange margin transactions and contract for difference. Credit derivatives embedded in hybrid financial instruments are also traded.

(2) Trading policy

Rakuten undertakes derivative transactions with the objective of hedging risks against fluctuation in future foreign exchange and interest rates and does not enter into derivative transactions for trading or speculative purposes. Foreign exchange margin trading and contract for difference are generally negotiated transactions with customers in which Rakuten performs a covered trade with a counterparty.

(3) Trading purpose

Derivative transactions related to currencies are conducted as a risk hedge against exchange rate fluctuation for foreign currency-denominated receivables and payables for the purpose of ensuring stable profits. For interest rates, derivatives are used as a hedge against future volatility in interest rate markets related to interest on borrowings. Also, certain subsidiaries, as a part of their business, carry out covered trades with a counterparty to hedge risks generated by transactions with customers, in addition to conducting foreign exchange margin trading and contract for difference by negotiated trades with customers.

(4) Trading-related risks

Foreign exchange forward contracts entail exchange rate fluctuation risks, and interest rate swaps and interest cap trading entail interest rate fluctuation risks. Furthermore, foreign exchange margin trading and contract for difference pose foreign exchange market fluctuation risks, interest rate fluctuation risks and risks of suffering losses from price changes in stock, stock indexes, commodities and other instruments. Credit derivatives involve risks related to the bond market.

Although credit risks are generally recognized as low because the counterparties are financial institutions that mainly have high credit ratings, derivative transactions undertaken by certain subsidiaries may suffer from economic loss due to the default of a certain counterparty.

The fair value of foreign currency transactions as of December 31, 2009 was as follow:

Type of party	Type of trade	Million of Yen Contract value	Fair value	Unrealized gain (loss)
	Foreign exchange margin trading			
Customers	Short positions	¥44,500	¥(116)	¥(116)
	Long positions	34,195	864	864
	Foreign exchange margin trading			
Counterparties	Short positions	35,060	—	—
	Long positions	44,616	—	—
	Foreign exchange forward contracts			
OTC	Short positions	32,580	(198)	(198)
	Long positions	69,599	1,389	1,389
Total		¥260,550	¥1,939	¥1,939

Notes:
1. This note does not cover transactions that are applied hedge accounting.
2. Method for calculating fair value: Foreign exchange margin transactions are adapted foreign currency spot markets method. Foreign exchange forward contracts are adapted foreign exchange futures markets and trading prices indicated by financial trading institutions.

Interest rate derivatives transactions as of December 31, 2009 were as follows:

Type of party	Type of trade	Million of Yen Contract value	Fair value	Unrealized gain (loss)
	Interest rate swap options			
OTC	Short positions	¥67,505	¥2,603	¥2,603
	Long positions	68,061	(2,594)	(2,594)
Total		¥135,566	¥9	¥9

Notes:
1. This note does not cover transactions that are applied hedge accounting.
2. Interest rate swap transactions presented in this table were classified in groups including those with complex provisions.
3. Fair value was calculated by present value discounted future cash flows, option pricing models and other means.

Credit derivatives as of December 31, 2009 were as follows:

Type of party	Type of trade	Million of Yen Contract value	Fair value	Unrealized gain (loss)
OTC	Other Short positions	¥2,500	¥918	¥918

Notes:
1. This note does not cover transactions that are applied hedge accounting.
2. The credit derivatives reported in this table include embedded derivatives in hybrid financial instruments.
3. “Short positions” are transactions that underwrite credit risks.
4. Estimated fair values were based on data indicated by financial trading institutions.

Other derivatives as of December 31, 2009 were as follows:

Type of party	Type of trade	Million of Yen Contract value	Fair value	Unrealized gain (loss)
Customers	Contract for difference			

	Short positions	¥337	¥ (0)	¥ (0)
	Long positions	526	2	2
	Contract for difference			
Counterparties	Short positions	526	(2)	(2)
	Long positions	337	0	0
Total		¥1,726	—	—

Notes:
1. This note does not cover transactions that are applied hedge accounting.
2. Fair value was based on the closing market price on markets or exchanges that handle the given financial instruments.

The fair value of foreign currency transactions as of December 31, 2008 was as follows:

	Million of Yen		
	Contract value	Fair value	Unrealized gain (loss)
Transactions other than market transactions			
Foreign exchange forward contracts			
Sold; U.S. Dollars	¥ 3,760	¥ 3,749	¥ 11

Foreign exchange forward contracts subject to hedge accounting are not included. The fair value is indicated by the financial institutions that are counterparties of the transactions. The fair value of interest rate caps as of December 31, 2008 was as follows:

	Million of Yen		
	Contract value	Fair value	Unrealized gain (loss)
Transactions other than market transactions			
Interest rate caps; Bought	¥24	¥1	¥(23)

Derivative transactions such as interest rate swaps subject to hedge accounting are not included. The listed transactions are under non-hedge accounting that require disclosure though the intra-group elimination of hedged transactions. The fair value is indicated by the financial institutions that are counterparties of the transactions.

16. RETIREMENT AND PENSION PLANS

Employees in certain consolidated subsidiaries are granted a tax-qualified pension plan and a lump-sum retirement and pension plan.

Information concerning retirement benefit obligation:

	Millions of Yen	
	2009	2008
Projected benefit obligation	¥ 3,660	¥ 3,704
Fair value of plan assets	(2,756)	(2,617)
Unfunded retirement benefit obligation	904	1,087
Unrecognized actuarial loss	(547)	(750)
Net retirement benefit obligation as shown on balance sheet	357	337
Allowance for retirement benefits	¥ 357	¥ 337

Certain consolidated subsidiaries that have a retirement benefit plan use the simplified method for calculating retirement benefit obligations.

Retirement benefit expenses:

Millions of Yen	
2009	2008

Service cost	¥ 157	¥ 194
Interest cost	71	83
Expected return on plan assets	(52)	(75)
Amortization of actuarial loss	133	78
Other	15	—
Total retirement benefit expenses	¥ 324	¥ 280

Retirement benefit expenses at consolidated subsidiaries using the simplified method are included in "Service cost."

Basis for calculating retirement benefit obligations and other:
The retirement benefit obligation is attributed to each period by the straight-line method over the estimated years of service of employees.

	2009	2008
Discount rate	2.00%	2.00%
Expected rate of return on plan assets	2.00%	2.00%
Amortization period of actuarial gain (loss)	10 years	10 years

17. STOCK-BASED COMPENSATION PLANS

The Company has stock-based compensation plans as an incentive program for directors, auditors and employees of the Company, subsidiaries and affiliates.

From 2001, in accordance with approval at shareholders' meetings, the Company has granted stock acquisition rights and stock options to directors, auditors and certain employees of the Company, subsidiaries and affiliates. These options vest about over two years to four years and expire within ten years from the date of grant. Some subsidiaries have the same type plans.

The following is a summary of the Company's stock-based compensation:

Grant Date	Exercisable Period	Exercise Price	Number of outstanding stock options as of December 31, 2009
April 26, 2001	From March 30, 2003 to March 28, 2011	¥ 11,210*	14,862
April 30, 2002	From March 29, 2006 to March 27, 2012	11,000*	7,587
July 14, 2003	From March 28, 2007 to March 26, 2013	19,300*	30,860
August 29, 2003	From March 28, 2007 to March 26, 2013	27,500*	2,090
September 7, 2004	From March 31, 2008 to March 29, 2014	75,500*	35,730
December 15, 2005	From March 31, 2009 to March 29, 2015	91,300	54,410
February 13, 2006	From March 31, 2009 to March 29, 2015	103,848	2,000

April 20, 2006	From March 31, 2010 to March 29, 2016	101,000	30,000
December 14, 2006	From March 31, 2010 to March 29, 2016	55,900	14,340
January 19, 2009	From March 28, 2012 to March 26, 2018	56,300	33,050

* Exercise price has been adjusted to reflect the stock splits.

The following is a summary of Rakuten Securities Holdings, Inc.'s stock-based compensation:

Grant Date	Exercisable Period	Exercise Price	Number of outstanding stock options as of December 31, 2009
April 19, 2004	From April 20, 2006 to April 19, 2011	¥497,648	96
September 15, 2005	From September 19, 2007 to September 18, 2012	1,380,000	188

The following is a summary of Rakuten KC Co., Ltd.'s stock-based compensation plans:

Grant Date	Exercisable Period	Exercise Price	Number of outstanding stock options as of December 31, 2009
June 17, 2005	From June 18, 2006 to June 17, 2015	¥ 256,000	880

The following is a summary of FUSION COMMUNICATIONS's stock-based compensation:

Grant Date	Exercisable Period	Exercise Price	Number of outstanding stock options as of December 31, 2009
November 20, 2000	From November 20, 2002 to November 20, 2010	¥ 50,000	1,435
July 12, 2001	From July 12, 2001 to July 10, 2010	155,792	530
July 12, 2001	From July 12, 2001 to July 10, 2011	155,792	650
July 12, 2001	From July 12, 2001 to July 10, 2012	155,792	255
June 29, 2002	From June 29, 2004 to June 28, 2012	219,388	525
June 30, 2003	From July 1, 2005 to June 30, 2013	219,388	120

The following is a summary of Net's Partners Co., Ltd.'s stock-based compensation:

Grant Date	Exercisable Period	Exercise Price	Number of outstanding stock options as of December 31, 2009
July 30, 2005	From July 28, 2007 to July 27, 2015	¥38,000	380
April 28, 2006	From April 27, 2008 to April 26, 2016	38,000	120

The following is a summary of Dot Commodity, Inc.'s stock-based compensation:

Grant Date	Exercisable Period	Exercise Price	Number of outstanding stock options as of December 31, 2009
July 1, 2005	From July 1, 2007 to May 31, 2015	¥50,000	220
July 1, 2006	From July 1, 2008 to May 31, 2016	50,000	280

The following is a summary of eBANK Corporation's stock-based compensation:

Grant Date	Exercisable Period	Exercise Price	Number of outstanding stock options as of December 31, 2009
October 13, 2000	From October 13, 2002 to September 26, 2010	¥ 60,000	1,710
March 13, 2001	From March 13, 2003 to February 22, 2011	65,000	760
August 20, 2001	From August 20, 2001 to June 18, 2011	71,500	800
August 20, 2001	From August 20, 2003 to June 18, 2011	65,000	830
October 31, 2002	From October 31, 2002 to June 20, 2012	82,500	3,030
September 30, 2002 January 6, 2003 March 31, 2003 June 18, 2003	From September 30, 2004 to June 20, 2012 From January 6, 2005 to June 20, 2012 From March 31, 2005 to June 20, 2012 From June 18, 2005 to June 20, 2012	75,000	1,570
May 30, 2003	From May 30, 2003 to June 20, 2012	82,500	2,600
June 18, 2003	From June 18, 2003 to June 20, 2012	82,500	2,000
March 31, 2004	From March 31, 2004 to June 19, 2013	75,000	7,670
November 28, 2003 February 29, 2004 June 18, 2004	From November 28, 2005 to June 19, 2013 From February 29, 2006 to June 19, 2013 From June 18, 2006 to June 19, 2013	75,000	2,920
November 30, 2004	From November 30, 2004 to June 24, 2014	88,000	150
January 31, 2005	From January 31, 2005 to June 24, 2014	88,000	330
February 10, 2005	From February 10, 2005 to June 24, 2014	100,000	7,420
March 31, 2005	From March 31, 2005 to June 24, 2014	140,000	100

October 20, 2004 November 30, 2004 January 31, 2005	From October 20, 2006 to June 24, 2014 From November 30, 2006 to June 24, 2014 From January 31, 2007 to June 24, 2014	88,000	620
February 10, 2005	From February 10, 2005 to June 24, 2014	100,000	1,600
March 31, 2005	From March 31, 2005 to June 24, 2014	140,000	1,050
August 15, 2005 November 15, 2005	From August 15, 2007 to June 29, 2015 From November 15, 2007 to June 29, 2015	150,000	7,970
November 15, 2005	November 15, 2005 to June 29, 2015	150,000	2,000
March 31, 2006	From March 31, 2008 to June 29, 2015	200,000	600
May 1, 2006	From May 1, 2008 to June 29, 2015	200,000	500
March 31, 2006	From March 31, 2006 to March 6, 2016	200,000	450
March 31, 2006 July 5, 2006 March 5, 2007	From March 31, 2008 to March 6, 2016 From July 5, 2008 to March 6, 2016 From March 5, 2009 to March 6, 2016	200,000	460
March 5, 2007 March 30, 2007	From March 5, 2009 to June 9, 2016 From March 30, 2009 to June 9, 2016	200,000	5,430
March 30, 2007	From March 30, 2007 to June 9, 2016	200,000	2,000
April 27, 2007	From April 27, 2009 to June 9, 2016	180,000	80
June 25, 2008	From June 25, 2008 to June 26, 2017	100,000	850
June 25, 2008	From June 25, 2010 to June 26, 2016	100,000	2,555

A summary of information regarding for the TARFFIC GATE, LTD's stock-based compensation was as follows:

Grant Date	Exercisable Period	Exercise Price	Number of outstanding stock options as of December 31, 2009
January 27, 2005	From September 30, 2006 to September 29, 2014	¥333	94,800
September 27, 2007	From September 28, 2008 to September 18, 2017	2,000	21,900

18. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 41% for the years ended December 31, 2009 and 2008.

The tax effects of significant temporary differences and tax loss carry forwards which resulted in deferred tax assets and liabilities at December 31, 2009 and 2008 were as follows:

	Millions of Yen	
	2009	2008
Deferred tax assets:		
Tax loss carry forwards	¥ 42,997	¥ 29,569
Excess of depreciation	2,200	2,395
Loss on valuation of investment securities	19,332	18,830
Excess of allowance for doubtful accounts	11,009	7,298
Reserve for points	3,908	2,896
Impairment loss	1,204	1,317
Allowance for loss on interest repayment	4,161	6,223
Reserve for financial instrument transaction liabilities	1,109	1,305
Loss on valuation of securities for banking business	4,304	—
Other	7,555	7,039
Less valuation allowance	(48,333)	(47,109)
Total	¥49,446	¥29,763
Deferred tax liabilities:		
Tax-deductible loss due to transfer of shares	¥ 8,465	¥ 8,465
Valuation difference on available-for-sale	3,880	1,074
Other	905	242
Total	¥ 13,250	¥ 9,781
Net deferred tax assets	¥ 36,196	¥ 19,982

Reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the year ended December 31, 2009 was as follows. In addition, as the fiscal year ended December 31, 2008 resulted in a loss before income taxes and minority interests, so tax rates are not shown here:

	2009
Effective statutory tax rate	41.00%
Expenses nondeductible for income tax purposes	0.58
Expired tax loss carried forward	6.33
Change in valuation allowance	(49.82)
Amortization of goodwill	4.11
Gain on change in equity	(3.15)
Other—net	(0.21)
Actual effective tax rate	(1.16)%

19. SEGMENT INFORMATION

The Company operates in the following industries:

The E-Commerce Business segment consists mainly of Rakuten Ichiba (Including Package Media, Media Rental), managed by Rakuten, Inc., Rakuten Auction, Inc., and Link Share Corporation. The business focuses on operating and providing services for websites related to retailing and other forms of e-commerce. Rakuten Ichiba Taiwan as a first step of overseas development and International shipping service is also included in this segment.

The Banking Business segment consists mainly of eBANK Corporation and its subsidiaries. The business is primarily concerned with the internet banking businesses.

The Credit Card Business segment (previously Credit and Payment Business Segment) consists mainly of Rakuten KC Co., Ltd. The business is primarily concerned with the consumer credit card business and consumer loan businesses.

The Portal and Media Business segment consists mainly of Infoseek, a portal site managed by Rakuten, Inc. Rakuten Research, Inc., Rakuten Shashinkan, Inc. and O-net, Inc. The segment focuses on the operation of Internet portal sites and community networking sites, as well as Internet market research and distribution of broadband content. Furthermore, SHOWTIME Inc. was consolidated from the end of first quarter of this fiscal year.

The Travel Business segment consists of Rakuten Travel, Inc. and its subsidiaries and affiliates. It focuses on operating travel-related websites and services, such as hotel bookings.

The Securities Business segment mainly consists of Rakuten Securities, Inc. The business provides the online securities brokerage and commodity trading business.

The Professional Sports Business segment consists of Rakuten Baseball, Inc., and Rakuten Sports Properties, Inc. It manages the Tohoku Rakuten Golden Eagles professional baseball team, as well as planning and selling related goods.

The Telecommunication Business segment consists of FUSION COMMUNICATIONS. and its subsidiaries. The business provides IP network services, IP telephony and other services.

(1) Industry Segments

a. Sales and Operating Income

	Millions of Yen										
	2009										
	E-Commerce Business	Credit Card Business	Banking Business	Portal and Media Business	Travel Business	Securities Business	Professional Sports Business	Telecom-munications	Total	Corporate & Internal Eliminations	Consolidated
Sales to customers	¥115,003	¥57,699	¥30,301	¥17,622	¥19,321	¥23,549	¥8,361	¥26,396	¥298,252	—	¥298,252
Inter segment sales	1,657	2,227	1,204	6,872	361	24	472	58	12,875	¥ (12,875)	—
Total sales	116,660	59,926	31,505	24,494	19,682	23,573	8,833	26,454	311,127	(12,875)	298,252
Operating expenses	80,438	56,613	29,087	23,330	10,880	19,109	9,450	26,091	254,999	(13,396)	241,603
Operating income (loss)	¥36,222	¥3,313	¥2,418	¥1,164	¥8,802	¥4,464	¥ (617)	¥363	¥56,128	¥521	¥56,649

Note: Due to the addition of eBANK Corporation as a consolidated subsidiary, a new business segment was created starting with the first quarter financial results. The new segment was classified as Banking Business Segment, Rakuten Credit, Inc. and Rakuten Financial Solutions, Inc., which were part of the Credit and Payment Business in previous fiscal years, were also transferred to the Banking Business as of the first quarter of this fiscal year, in consideration of these companies' activities. In addition, the Credit and Payment Business became the Credit Card Business after a reassessment of the nature of its business. Compared with the previous segmentation, these changes caused reductions of ¥6,152 million and ¥782 million, respectively, in net sales and operating income of the Credit Card Business in the current fiscal year. The effect of these changes has been included in the results for the new Banking Business, which recorded net sales to external customers of ¥30,301 million and operating income of ¥2,418 million in the current fiscal year. In light of the above, information on individual business segments is presented below for the fiscal year ended December 31, 2009.

b. Total Assets, Depreciation and Capital Expenditures

	Millions of Yen										
	2009										
	E-Commerce Business	Credit Card Business	Banking Business	Portal and Media Business	Travel Business	Securities Business	Professional Sports Business	Telecom-munications	Total	Corporate & Internal Eliminations	Consolidated
Total assets	¥310,358	¥304,938	¥789,452	¥11,008	¥24,058	¥408,305	¥11,072	¥9,333	¥1,868,524	¥ (109,287)	¥1,759,237
Depreciation and amortization	5,989	1,244	2,519	129	723	2,128	878	750	14,360	1	14,361
Impairment loss	434	297	1,181	15	—	8	—	190	2,125	—	2,125
Capital expenditures	5,768	1,086	2,540	82	654	2,326	437	957	13,850	10	13,860

Note: The group total for corporate and internal eliminations included in assets is ¥54,283 million. This consists mainly of investment securities held by the Rakuten Group. Unallocatable operating expenses amounted to ¥1,262 million. The main items are tax expenses based on pro forma standard taxation, and head office expenses that cannot be allocated to segments.

a. Sales and Operating Income

	Millions of Yen									
	2008									
	E-Commerce Business	Credit and Payment Business	Portal and Media Business	Travel Business	Securities Business	Professional Sports Business	Telecom-munications	Total	Corporate & Internal Eliminations	Consolidated
Sales to customers	¥ 91,073	¥65,911	¥9,681	¥16,199	¥24,807	¥7,963	¥34,249	¥249,883	—	¥ 249,88
Intersegment sales	1,310	844	5,615	351	1	472	4	8,596	¥(8,596)	—
Total sales	92,383	66,755	15,296	16,550	24,808	8,435	34,253	258,479	(8,596)	249,883
Operating expenses	66,316	56,052	15,501	9,087	20,951	9,247	33,819	210,972	(8,240)	202,732
Operating income (loss)	¥ 26,067	¥ 10,703	¥ (205)	¥7,463	¥ 3,857	¥(812)	¥ 434	¥47,507	¥ (356)	¥47,151

b. Total Assets, Depreciation and Capital Expenditures

	Millions of Yen									
	2008									
	E-Commerce Business	Credit and Payment Business	Portal and Media Business	Travel Business	Securities Business	Professional Sports Business	Telecom-munications	Total	Corporate & Internal Eliminations	Consolidated
Total assets	¥285,667	¥417,969	¥8,460	¥16,568	¥373,235	¥11,459	¥11,053	¥1,124,411	¥(37,473)	¥1,086,938
Depreciation and amortization	5,842	2,168	51	637	2,090	855	641	12,284	—	
Impairment loss	91	2,494	1,132	—	1,616	—	85	5,418	—	
Capital expenditures	6,037	2,282	137	662	3,883	498	851	14,350	—	14,350

(2) Geographical Segments

Disclosure of geographic segment information is omitted because domestic net sales and assets exceed 90% of total segment sales and assets.

(3) Sales to Foreign Customers

Disclosure of sales to foreign customers is omitted because such sales represent less than 10% of consolidated net sales.

20. AMOUNTS PER SHARE

	Yen	
	2009	2008
Net income (loss)		
Basic	¥ 4,092.17	¥ (4,203.55)
Diluted	4,077.62	—
Cash dividends applicable to the year	100.00	100.00

	Yen	
	2009	2008
Net assets	¥ 15,527.21	¥ 11,439.86

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits. Diluted net income per share of common stock assumes full conversion of the dilutive stock options. Listed cash dividends per share applicable to the respective years include dividends to be paid after the end of the year.

21. RELATED PARTY TRANSACTIONS

Transactions during the years ended December 31, 2009 and 2008 with a professional football club operator, in which the Chairman and CEO owned 100% of voting shares indirectly, were as follows:

	Millions of Yen	
	2009	2008
Sponsor fee	¥ 199	¥ 179

Sponsor fee is determined on arm’s length basis.

The balances payable due from the company at December 31, 2009 and 2008 were as follows:

	Millions of Yen	
	2009	2008
Sponsor fee	¥ 15	¥ 15

22. SUBSEQUENT EVENT

A. Dividend

The following distributions of retained earnings at December 31, 2009 were approved at the Board of Directors’ meeting held on February 13, 2009:

	Millions of Yen
Year-end cash dividends, ¥100 per share	¥1,309

B. Significant Subsequent Event Pertaining to Business Combination

(1) Name and business description of company acquired, major reasons for business combination, effective date of business combination, legal form of business combination, name of business after combination, number of shares acquired, and percentage of voting rights.

Name and business description of company acquired	
Name of business:	bitWallet Inc.
Business description of acquired company:	Operation and planning of prepaid e-money business (Edy)
Reasons for combination:	To leverage the Rakuten Group's customer base and marketing know-how with the aims of acquiring users of Edy e-money services, which are planned and operated by bitWallet, and of augmenting the Edy business by promoting its use on the Internet. In addition, strengthening the alliance between the Rakuten Group's services and Edy allows the combined company to provide high-convenience settlement tools to users. With these aims, the two companies have agreed to a capital alliance. bitWallet was made into a Rakuten's consolidated subsidiary through subscription to a third-party allotment of new shares issued by bitWallet.
Effective date:	January 21, 2010
Legal form of combination:	Acquisition of shares
Name after combination:	bitWallet Inc.
No. of shares acquired:	576,037
Percentage of voting rights after acquisition:	52.8%

(2) Breakdown of acquisition costs

Consideration:	Cash	¥3,000 million
Expenditures directly related to acquisition:		¥66 million
Acquisition cost:		¥3,066 million

(3) Financing method: Internal funds

C. Agreement to establish a joint venture

Rakuten and Baidu, Inc., have agreed to form a joint venture in China for an Internet shopping mall business.

(1) Reason for establishment:
By combining Rakuten's e-commerce platform technology and know-how in operating online shopping malls with Baidu's marketing power and a strong ability to attract customers in the China market, the joint venture aims to start a giant Internet shopping mall in China.

(2) Company overview

Name of joint venture:	RakuBai Limited
Head office:	People's Republic of China
Established:	February 12, 2010
Business description:	Internet shopping mall operations in China
Invested capital:	US$ 2,634 million (estimated)
Investment ratios:	Rakuten 51%, Baidu 49%

D. Grant of subscription rights to shares in accordance with Articles 236, 238, and 239 of the

Corporate Law

At a meeting on February 12, 2010, the Board of Directors approved a resolution to set certain matters for solicitation, and to solicit subscribers for stock options pertaining to the issuance of subscription rights to shares in the form of stock options, in accordance with Articles 236, 238, and 239 of the Corporate Law, and in accordance with a resolution of the 12th General Meeting of Shareholders held on March 27, 2009.

(1) Kind and number of stock options: Common stock of Rakuten, Inc. 11,989 shares

(2) Eligible subscribers: Directors, corporate auditors and employees of Rakuten, Inc.

(3) Issue price: Gratis

(4) Amount out of issued price to be included in capital stock:
One-half of the value of the capital increase for those shares issued by exercise of the stock options as calculated in accordance with Article 17, Paragraph 1 of the Company Accounting Regulations. Any fractional amount less than one yen shall be rounded up.

(5) Allocation date for stock options: February 12, 2010

(6) Period for exercise of option rights: March 28, 2013 to March 26, 2019

E. eBANK tender offer

At a meeting on March 18, 2010, the Board of Directors of Rakuten, Inc. approved a resolution to put forward a tender offer for all outstanding shares of eBANK Corporation, a consolidated subsidiary.

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

Name and business description of company acquired	
Name of business:	eBANK Corporation (Name of business to be changed to Rakuten Bank Co., Ltd., on May 4, 2010.)
Business description:	Banking through electronic media, primarily financial settlements
Legal form of business combination:	Rakuten, Inc., as the parent company for a complete exchange of shares, will acquire and exchange shares of eBANK, as the subsidiary target for a complete exchange of shares
Name of business after combination:	eBANK Corporation (Name of business will not change after combination)
Outline and purpose of the transaction:	As of March 18, 2010, Rakuten held 1,579,135 shares of common stock (67.2% of outstanding shares) in eBANK, a consolidated subsidiary. Now, with the objective of making eBANK a wholly owned subsidiary, Rakuten has decided to make a tender offer to acquire all of eBANK’s outstanding shares. By making eBANK a wholly owned subsidiary, the entire Rakuten Group will realize 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 throughout the Group, which will greatly increase its corporate value. These efforts, when considered in light of continued uncertainty in global financial markets despite some signs of recovery, will help eBANK achieve steady earnings and a stronger financial structure. We therefore judge the complete purchase of eBANK to be the best option for the future.

In addition, by making eBANK a wholly owned subsidiary, Rakuten can establish conditions for more effective use of human and physical resources and intellectual property in the parent company and all members of the Rakuten Group. We believe we can strengthen the bank's existing competitiveness and harness additional growth in eBANK as an online banking specialist to large increases in corporate value through means of quality improvements in various services furnished to customers and enhanced profitability.
If Rakuten is unable to acquire all outstanding shares of eBANK after executing the tender offer (excluding those shares already owned by Rakuten and eBANK), then after the tender offer is complete, Rakuten plans to acquire the remaining outstanding shares of eBANK through an exchange of shares to be conducted by August 2010 and make eBANK a wholly owned subsidiary.

Summary of transaction

Tender period:	March 19, 2010 to April 30, 2010
Tender price:	Common stock: ¥33,000 per share
Preemptive right to shares:	1 yen each
Share subscription rights:	1 yen each
	Number of shares expected to be purchased
Shares of stock:	632,881
Subscription warrants:	58,380 shares
Total:	691,261 shares

Notes: Because this tender offer sets no lower and upper limits on the number of shares purchased, Rakuten plans to purchase all tendered shares.
Amount of tender: ¥22,812 million (estimated)
The tender amount is equal to the maximum number of shares tendered (691,261) times the price per share (33,000 yen).

(2) Financing method: Internal funds

(3) Summary of accounting treatment
The exchange of shares 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 Revised 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).