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## **Rakuten Consolidated Subsidiary Rakuten KC Completes Transfer of Credit Business; Incursion of Special Losses**

Rakuten, Inc. (Rakuten) announced that consolidated subsidiary Rakuten KC, Co. Ltd. (Rakuten KC) completed the corporate separation and transfer of its credit business to Orient Corporation with effect on November 1, 2006. In addition to business transfer losses related to the separation of the credit business, as reported on August 31, a major change in characteristics of the company's loan assets in the wake of a drastic business restructuring has led Rakuten to revise the way it estimates allowances for doubtful accounts and allowances for interest repayment, and it will book associated special losses.

### 1. Summary of special losses (booked in Jul-Sep quarter 2006)

(1) Business transfer losses:	¥18,957 million
(2) Addition to allowance for doubtful accounts	¥6,314 million
(3) Addition to allowance for interest repayment	¥4,019 million

### 2. Description of each special loss

(1) Business transfer losses: Transfer losses and other incidental expenses associated with the corporate separation and transfer of the credit business.

(2) Addition to allowance for doubtful accounts: The difference in the allowance for doubtful accounts at the beginning of FY2006 (ending December 2006) calculated

based on the revised estimation method, and the allowance for doubtful accounts calculated based on last year's estimation method. The difference is booked as a special loss.

(3) Addition to allowance for interest repayment: Special losses incurred accompanied with the announcement of the Accounting Treatment for Calculation of Reserves Relating to Losses at Consumer Finance Companies, etc., Resulting from Interest Repayment Claims by the Japanese Institute of Certified Public Accountants (JICPA) on October 13, 2006.

The difference in allowance for interest repayment calculated at the beginning of the FY2006 based on the revised estimation method and the amount of allowances based on the old estimation method is to be booked as special losses in the period.

(Reference)

#### Rakuten KC's Non-consolidated Financial Forecasts for FY2006 Jul-Sep Quarter

Rakuten KC's net sales fell in the FY2006 Jul-Sep quarter owing to the corporate separation of the credit business, which had a short-term negative impact on business activity, and the temporary suspension of securitization of loan assets to adapt to corporate separation. In addition, because overall earnings have been affected by increases in bad-debt costs (including allowances for interest repayment) arising from recent significant changes in the operating environment surrounding the consumer finance industry, Rakuten KC's non-consolidated earnings forecasts for the Jul-Sep quarter of FY2006 are shown below.

(millions of yen)

	Net sales	Ordinary income	Net income
FY2005 Jul - Sept. quarter (A)	22,165	4,652	447
FY2006 Jul - Sept. quarter (B)	16,444	(8,645)	(32,744)
Absolute change y-y (B - A)	(5,721)	(13,298)	(33,192)
% change y-y (B/A - 1)	(25.8%)	—	—

Rakuten is scheduled to announce 2006 3Q (Jun-Sep Quarter) results (including the aforementioned earnings of Rakuten KC) on Thursday, November 16.

*Notice: This press release is a translation from the Japanese and is provided solely for the convenience of non-Japanese readers.*