

December 20, 2007
Rakuten, Inc. (JASDAQ 4755)
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**Operating loss resulting from change of estimation method for allowances for
loss on interest repayments at Rakuten KC Co., Ltd
and capital injection into Rakuten KC Co., Ltd by Rakuten, Inc.**

On December 20, 2007, Rakuten, Inc. ("the Company", JASDAQ code: 4755) announced that its board of directors decided to inject capital into its consolidated subsidiary, Rakuten KC Co., Ltd. ("Rakuten KC") in order to strengthen the financial foundation of Rakuten KC, which will post an operating loss resulting from a lump-sum provision to allowances for loss on interest repayments accompanied with a change of estimation method.

1. The change of estimation method for allowances for loss on interest repayments at Rakuten KC

Rakuten KC decided to change its estimation method from December 31, 2007 as it became capable of making a reasonable estimation for total future possible losses. This change is made possible first, by the lowering of the interest rate to 18% or less on new lending commencing on January 1, 2008 thus fixing total risk exposure related to interest repayments, and second, through the accumulation of sufficient data on excess interest repayment claims.

(a) Previous estimation method

Provision was reviewed on a quarterly basis and appropriately made for reasonably estimated future period for possible loss on interest repayments. This estimate is calculated based on the increase of actual ratio of repayment for the number of interest repayment claims and an average amount of repayments and others from the previous quarter. (It is in accordance with "Accounting Treatment for Calculation of Reserves Relating to Losses at Consumer Finance Companies, etc., Resulting from Interest Repayments Claims by the Japanese Institute of Certified Public Accountants")

(b) Revised estimation method from December 31, 2007

A lump-sum provision will be estimated for total future possible loss for interest repayments based on the historical data of change on asset default category rate and an

average unit cost collected from entire applicable asset base.

2. The estimates of allowances for loss on interest repayments as of December 31, 2007

(Unit: Billion yen)

	As of December 31, 2007 ^(note1)		Additional provision required from the change of estimation method (forecast) (note 1)
	(a) Previous estimation method (reference)	(b) Revised estimation method	
Allowances for loss on interest repayments claims	13.9	37.7	23.8

Note 1: The amounts are based on current estimation by Rakuten KC and actual results may differ.

Note 2: The allowances for interest repayment claims as of September 30, 2007 was 12.2 billion yen (Of which, 7.1 billion yen is in allowance for loss on interest repayments for cash out and 5.1 billion yen is in an allowance for doubtful accounts for write-offs of loan assets due to excess interest repayment)

3. Capital injection into Rakuten KC by the Company

The Company will inject capital into Rakuten KC for the purpose of strengthening Rakuten KC financial foundation. This capital injection is contingent upon approval of the Extraordinary General Shareholders Meeting and the Shareholders' Meeting by only common shareholders of Rakuten KC,

(1) Method : Subscription of common shares for treasury of Rakuten KC

(2) Amount : 25 billion Yen

(3) Number of shares : 500,000 Common shares

(4) Schedule :

18th December 2007 : Extraordinary Board Meeting of Rakuten KC
20th December 2007 : Board Meeting of the Company

26th December 2007 : Rakuten KC Extraordinary General Shareholders Meeting
and Rakuten KC Shareholders' Meeting of only common shareholders

26th December 2007 : Extraordinary Board Meeting of Rakuten KC

27th December 2007 : Date of Payment (scheduled)

4. Outlook

The additional provision to allowances for loss on interest repayments resulting from the change of estimation method, 23.8 billion yen, will be posted in a lump sum on December 31, 2007. The same amount of operating loss will be reflected in the Company's consolidated financial results for the year ending December 31, 2007.

Currently Rakuten KC posts operating costs relating to interest repayments based on previous estimation method as actual interest repayment claims increases on a quarterly basis. However, it will be able to significantly lower such operating costs by the lump-sum increase in the allowance and will be expected to make sharp recovery in profits.

(Reference: Operating costs relating to interest repayments for six months ended September 30, 2007 was 7.2 billion yen (2.7 billion yen for actual losses and 4.5 billion yen for provisions to allowances))

Other unconfirmed impacts on financial results including an impact by capital injection on the Company's non-consolidated financial results will be disclosed as soon as it becomes apparent.
