

Indigo Announces Completion of Kobo Sale

Toronto, ON - January 11, 2012. Indigo Books & Music Inc. (TSX:IDG) (“Indigo”), Canada’s largest book, gift and specialty toy retailer, announced today the completion of the sale of all outstanding shares of Kobo Inc. (“Kobo”) to Rakuten, Inc. (JASDAQ:4755) (“Rakuten”) for US\$315M following the satisfaction of all closing conditions, including approval under the *Investment Canada Act*. Based on its fully diluted interest in Kobo, Indigo received US\$146M from the proceeds of the sale.

“We are enormously proud of having created Kobo and of the achievements of the Kobo team. It is a wonderful and true Canadian business success story. We are also pleased for Indigo and all shareholders that this sale represents such an attractive return on our investment in Kobo,” said Heather Reisman, Founder and CEO of Indigo. Reisman continued to say that “Notwithstanding the sale, Indigo intends to maintain a very strong relationship with Kobo, supporting the products and eReading services our customers have come to love and directly benefiting from the growth of the Canadian eReading market. We are and always will be committed to providing our customers with the best reading experiences both physically and digitally.”

About Indigo Books & Music Inc.

Indigo is a publicly traded Canadian company listed on the Toronto Stock Exchange (IDG). As the largest book, gift and specialty toy retailer in Canada, Indigo operates in all provinces under different banners including Indigo Books & Music; Indigo Books, Gifts, Kids; IndigoSpirit; Chapters; The World's Biggest Bookstore; and Coles. The online channel, www.indigo.ca, features books, eBooks, toys and gifts and hosts the award winning Indigo Online Community. In 2004, Indigo founded the Indigo Love of Reading Foundation, a registered charity that provides new books and education materials to high-needs Canadian elementary schools, to address the literacy crisis in Canada. To date the Foundation has contributed \$10.5 million to schools in need. Visit loveofreading.org for more information.

Forward-Looking Statements

Statements contained in this news release, including Indigo’s continuing relationship with Kobo and the growth of the Canadian eReading market, that are not historical facts, are forward-looking statements which involve risk and uncertainties that could cause results to differ materially from those expressed in the forward-looking statements. Key factors that could cause such differences are discussed in Indigo’s materials filed with the securities regulatory authorities in Canada from time to time, including Indigo’s latest annual information form. Indigo disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

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