

Summary of Financial Results (Consolidated)
For the First Quarter of the Fiscal Year Ending April 30, 2019
(Japanese GAAP)

August 30, 2018

Listed company: Raccoon Co., Ltd.

Code: 3031

Representative: President & Representative Director, Isao Ogata

Contact: Executive Vice President of Finance & Director, Satoshi Konno

Scheduled date of submission of quarterly report: September 13, 2018

Scheduled date of commencement of dividend payment: –

Supplementary documents for quarterly financial results: Yes

Quarterly financial results briefing: No

Stock Exchange: Tokyo Stock Exchange

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(Rounded down to the nearest million yen)

1. Consolidated results for the first three months ended July 31, 2018 (May 1, 2018 through July 31, 2018)

(1) Consolidated operating results (The percentages are year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Term ended July 31, 2018	669	9.3	133	25.7	133	27.7	90	30.3
Term ended July 31, 2017	612	7.5	106	12.3	104	11.1	69	19.9

(Note) Comprehensive income: Term ended July 31, 2018 ¥90 million (30.3%)

Term ended July 31, 2017 ¥69 million (19.9%)

	Net income per share	Net income per share (diluted)
	Yen	Yen
Term ended July 31, 2018	5.05	4.97
Term ended July 31, 2017	3.94	3.82

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of July 31, 2018	5,971	2,133	35.7	119.39
As of April 30, 2018	6,056	2,133	35.2	119.67

(Reference) Shareholders' equity As of July 31, 2018 ¥2,132 million

As of April 30, 2018 ¥2,131 million

2. Dividends

	Dividend per share				
	End of Q1	End of Q2	End of Q3	Year end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended April 30, 2018	–	0.00	–	5.20	5.20
Year ending April 30, 2019	–				
Year ending April 30, 2019 (forecast)		0.00	–	–	–

(Note) Revisions to dividend forecasts published most recently: None

(Note) The dividend forecast for the end of the fiscal year ending April 30, 2019 is yet to be determined.

3. Forecast of consolidated results for the fiscal year ending April 30, 2019 (May 1, 2018 through April 30, 2019)

(The percentages are year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	–	–	–	–	–	–	–	–	–
Full year	2,709	6.4	513	17.2	508	17.7	330	16.6	18.53

(Note) Revisions to financial forecasts published most recently: None

* Notes

(1) Important changes in subsidiaries during the term (changes in specified subsidiaries resulting in change in the scope of consolidation):
None

(2) Application of accounting specific to the preparation of quarterly consolidated financial statements: Yes

(3) Changes in accounting principles and changes or restatements of accounting estimates

- (i) Changes in accounting policies associated with revisions to accounting standards, etc.: None
- (ii) Changes in accounting policies other than those specified in (i): None
- (iii) Changes in accounting estimates: None
- (iv) Restatement: None

(4) Number of issued shares (common shares)

(i) Number of issued shares (including treasury stock) at the end of the term			
July 31, 2018	18,728,100	April 30, 2018	18,680,400
(ii) Number of treasury stock shares at the end of the term			
July 31, 2018	870,656	April 30, 2018	870,656
(iii) Average number of issued shares during the term			
July 31, 2018	17,834,327	July 31, 2017	17,534,428

*This financial summary is not subject to the statutory quarterly review by a certified public accountant or audit corporation.

* Explanation about the proper use of results forecasts, and other special notes

(Cautionary note on forward-looking statements)

The forward-looking statements, including results forecasts, included in this document are based on information that the Company has obtained and certain assumptions that the Company considers reasonable. The Company does not guarantee its achievement of the forward-looking statements. Actual results may differ significantly from them depending on a variety of factors. For the assumptions underlying the results forecasts and notes on their use, please refer to 1. Qualitative Information on Results for the Quarter under Review,

(2) Explanation of forecasts including consolidated results forecast on page 5.

(How to obtain supplementary information for quarterly financial results)

Supplementary information on the quarterly financial results is published subsequently on TDnet.

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1. Qualitative Information on Results for the Quarter under Review

(1) Explanation of operating results

During the first quarter under review (May 1, 2018 through July 31, 2018), the Japanese economy continued its modest recovery backed by ongoing improvements in corporate earnings and employment as well as income environments against the backdrop of the government's economic policies and the Bank of Japan's monetary easing policy, amid overseas economies remaining solid.

In this environment, the Raccoon Group worked to expand the infrastructure services it offers for business-to-business transactions based on the management philosophy of making corporate activities more efficient and convenient. As a result, consolidated net sales amounted to 669,023,000 yen (up 9.3% year on year) in the first quarter under review.

In terms of expenditure, although personnel expenses increased, other selling, general and administrative expenses remained at a low level in general. As a result, consolidated operating income amounted to 133,274,000 yen (up 25.7% year on year), consolidated ordinary income reached 133,385,000 yen (up 27.7% year on year), and consolidated net income attributable to owners of parent came to 90,081,000 yen (up 30.3% year on year).

As described in the "Notice Concerning Change in Reporting Segments" (Japanese only) announced on June 8, 2018, the Paid business and the Guarantee business were consolidated and positioned in the same reporting segment category as the Financial business. In line with this change, year-on-year comparison is presented using figures which we have modified the figures in the respective period to suit the segment after the change.

Results by segment are as follows:

(i) EC business

Super Delivery, the mainstay business in the EC business, expanded its target from conventional domestic retailers to include domestic businesses other than retailers and overseas businesses in response to an increase in demand from these sectors for purchases based on the growth of the business and the expansion of the EC market in the B-to-B businesses. Currently, therefore, the Company is working to increase the value of transactions by executing a strategy for growing purchase demand in each customer segment, along with a strategy for facilitating transaction growth in an expanding market. In the first quarter under review, the Company increased the number countries eligible for ECMS EXPRESS, a low-cost air transport service, from two (Taiwan and Hong Kong) to include South Korea, Thailand, Singapore and Malaysia in order to enhance convenience for overseas operators in Asia who generate a large value of transactions in SD exports.

The transaction value grew 0.2% year on year during the first quarter under review as a result of a rise in transactions in industries other than retail. The value of overseas transactions (the sum of SD exports and overseas transactions via the Japanese-language website) increased steadily by 46.7% year on year. As a result, the total value of transactions in the Super Delivery service reached 2,672,949,000 yen (up 5.2% year on year).

At the end of the first quarter under review, concerning the Super Delivery service, the number of member retailers was 104,454 (up 7,254 from the end of the previous fiscal year), the number of companies posting information on their products was 1,313 (up 41 from the end of the previous fiscal year), and the number of items displayed was 740,275 (up 28,642 from the end of the previous fiscal year).

Sales in the EC business stood at 425,150,000 yen (up 3.2% year on year), and segment profit was 167,308,000 yen (up 10.9% year on year).

(ii) Financial business

In Paid, the Company made efforts to increase the operating rate of the acquired member companies. The number of member companies rose to over 3,000 and the value of transactions (including transactions within the Group of 1,643,660,000 yen) came to 5,231,675,000 yen (up 15.9% year on year) at the end of the first quarter under review.

In Guarantee, the Company continued to press ahead with business collaborations with local financial institutions in the T&G Credit Guarantee service and URIHO to expand sales channel. During the first quarter under review, the Company formed business alliances with The Takinogawa Shinkin Bank, The Towa Bank, Ltd. and The Daisan Bank, Ltd. for introduction of clients. In addition, the Company launched a business rent guarantee service under its own brand in June 2018.

As a result of steady increase, guarantees outstanding (including guarantees outstanding within the Group of 1,617,694,000 yen) amounted to 19,409,210,000 yen (up 5.4% from the end of the previous fiscal year).

As a result, sales in the Financial business stood at 286,497,000 yen (up 17.3% year on year) and segment profit was 37,533,000 yen (up 39.3% year on year).

(2) Explanation of forecasts including consolidated results forecasts

Consolidated results for the Company generally progressed according to the forecasts. For this reason, the Company made no changes to the results forecasts announced in the previous Summary.

The forecasts presented above are based on information available to the Company at the time when this Summary was prepared and certain assumptions that the Company considers rational. Actual results and the like may differ significantly from these figures due to many variable factors.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Consolidated balance sheets

(Thousand yen)

	End of previous consolidated fiscal year (As of April 30, 2018)	End of first quarter of the consolidated fiscal year under review (As of July 31, 2018)
Assets		
Current assets		
Cash and deposits	2,158,811	2,410,511
Accounts receivable - trade	3,122,333	2,815,091
Rights to claim compensation	72,394	80,732
Supplies	123	99
Merchandise	13,380	12,105
Prepaid expenses	158,102	155,869
Other	62,719	33,910
Allowance for doubtful accounts	(6,942)	(6,437)
Total current assets	5,580,923	5,501,883
Non-current assets		
Property, plant and equipment		
Buildings	22,122	22,122
Accumulated depreciation	(14,904)	(15,214)
Buildings, net	7,218	6,908
Tools, furniture and fixtures	44,695	44,695
Accumulated depreciation	(31,229)	(33,155)
Tools, furniture and fixtures, net	13,466	11,540
Total property, plant and equipment	20,685	18,449
Intangible assets		
Software	162,393	150,622
Software in progress	20,333	39,776
Goodwill	25,110	22,680
Other	2,857	2,764
Total intangible assets	210,693	215,844
Investments and other assets		
Investment securities	120,051	120,051
Lease and guarantee deposits	43,304	43,304
Deferred tax assets	81,064	72,373
Other	50	50
Total investments and other assets	244,470	235,779
Total non-current assets	475,849	470,072
Total assets	6,056,772	5,971,955

(Thousand yen)

	End of previous consolidated fiscal year (As of April 30, 2018)	End of first quarter of the consolidated fiscal year under review (As of July 31, 2018)
Liabilities		
Current liabilities		
Accounts payable - trade	2,863,899	2,788,409
Current portion of long-term loans payable	25,000	12,500
Payables associated with liquidation of receivables	141,000	141,000
Accounts payable - other	47,743	51,876
Income taxes payable	95,197	41,049
Allowance for guarantees	45,299	50,200
Provision for bonuses	43,371	25,369
Provision for sales promotion expenses	9,950	9,610
Deposits received	408,970	450,130
Other	204,894	222,686
Total current liabilities	3,885,326	3,792,832
Non-current liabilities		
Asset retirement obligations	2,838	2,847
Other	35,102	42,535
Total non-current liabilities	37,941	45,382
Total liabilities	3,923,267	3,838,215
Net assets		
Shareholders' equity		
Capital stock	834,227	835,891
Capital surplus	221,699	223,364
Retained earnings	1,325,490	1,322,961
Treasury shares	(250,143)	(250,143)
Total shareholders' equity	2,131,273	2,132,073
Subscription rights to shares	2,231	1,665
Total net assets	2,133,504	2,133,739
Total liabilities and net assets	6,056,772	5,971,955

(2) Consolidated statements of income and consolidated statements of comprehensive income
(Consolidated statements of income)
(First quarter under review)

(Thousand yen)

	First quarter of the previous consolidated fiscal year (From May 1, 2017 to July 31, 2017)	First quarter of the consolidated fiscal year under review (From May 1, 2018 to July 31, 2018)
Net sales	612,313	669,023
Cost of sales	88,646	120,781
Gross profit	523,667	548,242
Selling, general and administrative expenses	417,606	414,967
Operating income	106,060	133,274
Non-operating income		
Commission fee	879	741
Other	467	841
Total non-operating income	1,347	1,582
Non-operating expenses		
Interest expenses	242	119
Expenses for liquidation of receivables	1,251	1,295
Taxes and dues	1,330	—
Other	154	56
Total non-operating expenses	2,978	1,471
Ordinary income	104,429	133,385
Income before income taxes	104,429	133,385
Income taxes	35,278	43,303
Net income	69,150	90,081
Net income attributable to owners of parent	69,150	90,081

(Consolidated statements of comprehensive income)
(First quarter under review)

(Thousand yen)

	First quarter of the previous consolidated fiscal year (From May 1, 2017 to July 31, 2017)	First quarter of the consolidated fiscal year under review (From May 1, 2018 to July 31, 2018)
Net income	69,150	90,081
Comprehensive income	69,150	90,081
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	69,150	90,081

(Segment information)

Segment information

I. First quarter of the previous consolidated fiscal year (from May 1, 2017 to July 31, 2017)

1. Sales, profits or losses in each reporting segment

(Thousand yen)

	Reporting segment			Adjustment (Note 1)	Consolidated financial statement amount (Notes 2)
	EC	Financial	Total		
Sales					
Sales to external customers	411,858	200,454	612,313	—	612,313
Inter-segment sales and transfers	—	43,767	43,767	(43,767)	—
Total	411,858	244,222	656,080	(43,767)	612,313
Segment profits	150,866	26,952	177,819	(71,758)	106,060

(Notes) 1. The segment profit adjustment of minus 71,758,000 yen includes company-wide revenues and expenses not distributed to the reporting segments. The company-wide revenues are mostly comprised of management consulting fees and such from each segment and the company-wide expenses are general and administrative expenses and such which are not attributable to reporting segments.

2. Segment profits are adjusted to operating income in the consolidated statements of income.

2. Items related to impairment loss on non-current assets, goodwill, etc. by reporting segment

Not applicable

II. First quarter of the consolidated fiscal year under review (from May 1, 2018 to July 31, 2018)

1. Sales, profits or losses in each reporting segment

(Thousand yen)

	Reporting segment			Adjustment (Note 1)	Consolidated financial statement amount (Notes 2)
	EC	Financial	Total		
Sales					
Sales to external customers	425,150	243,873	669,023	—	669,023
Inter-segment sales and transfers	—	42,624	42,624	(42,624)	—
Total	425,150	286,497	711,647	(42,624)	669,023
Segment profit	167,308	37,533	204,842	(71,567)	133,274

(Notes) 1. The segment profit adjustment of minus 71,567,000 yen includes company-wide revenues and expenses not distributed to the reporting segments. The company-wide revenues are mostly comprised of management consulting fees and such from each segment and the company-wide expenses are general and administrative expenses and such which are not attributable to reporting segments.

2. Segment profits are adjusted to operating income in the consolidated statements of income.

2. Items related to change in reporting segments

(Change in reporting segment category and calculation method in line with structural transition to a holding company)

The Company will incorporate a holding-company structure effective on November 1, 2018. Due to the transition, the Paid business and the Guarantee business, which were separate reporting segments, are consolidated to one segment with a new name “Financial business” from the first quarter under review, considering their strong relevance as well as the change in the Group management environment represented by the structural transition to a holding company.

In addition, the Company has changed the treatment of company-wide expenses pertaining to the group operation, which was previously included in the EC business, to record as expenses under adjustment of segment profit. In tandem with such, the Company has started to collect management consulting fees, etc. appropriate for the organizational structure after the transition to a holding company, from each reporting segment. Management consulting fees, etc. are recorded as expenses in each segment, and recorded as company-wide revenues in adjustment of segment profit. Therefore, in comparison with the past treatment, segment profit for the EC business has increased while that for the Financial business has decreased. Furthermore, the amount of adjustment, which is deducted from the total amount of profit for reporting segments, has increased.

The disclosed segment information for the first quarter of the previous consolidated fiscal year is prepared based on the reporting segment category and calculation method after the change.

3. Items related to impairment loss on non-current assets, goodwill, etc. by reporting segment

Not applicable

(Significant subsequent events)

(Issuance of share options)

By resolution in writing replacing resolution at the Board of Directors specified in Article 370 of the Companies Act and Article 25 of the Articles of Incorporation of the Company, the Company resolved on August 7, 2018 the issuance of the Fifth and Sixth Series Share Options (with fixed exercise value) and the Seventh Series Share Options (subject to clause for exercise value change) (collectively, the Share Options”) through third-party allotment; and payment was completed on August 23, 2018. Details are as follows.

Overview of the issuance of the Share Options

(1)	Allotment date	August 23, 2018
(2)	Number of share options issued	Total: 34,830 The 5th Series Share Options: 20,000 units The 6th Series Share Options: 7,690 units The 7th Series Share Options: 7,140 units
(3)	Issue amount	Total: 8,011,560 yen The 5th Series Share Options: 245 yen per unit The 6th Series Share Options: 218 yen per unit The 7th Series Share Options: 201 yen per unit
(4)	Number of dilutive shares due to the issuance	Total: 3,483,000 shares (100 shares per unit of share options) The 5th Series Share Options: 2,000,000 shares The 6th Series Share Options: 769,000 shares The 7th Series Share Options: 714,000 shares For the 7th Series Share Options, the exercise value may be amended as described in “(6) Exercise value and clause for amending exercise value” below. However, the number of dilutive shares remain unchanged at 3,483,000 shares. Concerning shares issued through exercise of the Share Options, the Company plans to preferentially utilize treasury shares that it owns.
(5)	Amount of fund to be procured	2,201,161,560 yen (Estimated net proceeds) (Note)
(6)	Exercise value and clause for amending exercise value	The 5th Series Share Options Exercise value: 600 yen (fixed) The 6th Series Share Options Exercise value: 650 yen (fixed) The 7th Series Share Options Initial exercise value: 700 yen Minimum exercise value: 700 yen Maximum exercise value is not set. Exercise value of the 5th and 6th Series Share Options will not be amended. For the 7th Series Share Options, the exercise value will be amended, on and after the trading day immediately following the allotment date (August 24, 2018), to the amount equivalent to 92% of the closing price of the regular trading of the Company’s common share at the Tokyo Stock Exchange, Inc. on the trading day immediately preceding the effective date of claims for exercise of share options of the 7th Series Share Options (if no closing price is available on that day, the immediately preceding trading day), rounded up to the nearest yen. However, if the amended exercise value is less than 700 yen (the “Minimum Exercise Value”; will be adjusted by applying mutatis mutandis Article 11 of the issuance guidelines for the 7th Series Share Options), the exercise value shall be the Minimum Exercise Value.
(7)	Offering/allotment method	Third-party allotment to UBS AG London Branch

(8)	Period during which claims for exercise of share options can be made	From August 24, 2018 to August 23, 2021
(9)	Other	The Company has concluded a third-party allotment agreement with the allottee after effectuation of the notification pertaining to offering of the Share Options based on the Financial Instruments and Exchange Act. Designation of suspending exercise of the Share Options, buy-back obligation, restriction on transfer, lock-up, etc. are stipulated in the third-party allotment agreement.

(Note) Amount of fund to be procured is the amount obtained by deducting the estimated amount of issue costs from the amount obtained by adding the total paid-in amount for the Share Options to the total amount to be paid-in upon exercise of the Share Options. The amount to be paid-in upon exercise of the 7th Series Share Options is an amount calculated under the assumption that all of the Share Options are exercised at the initial exercise value. Amount of fund to be procured may increase or decrease if the exercise value is adjusted for the 5th and 6th Share Options, and if the exercise value is amended or adjusted for the 7th Share Options. Furthermore, if the Share Options are not exercised within the exercise period or if the Company retires the Share Options acquired, the amount of fund to be procured shall decrease.