

Summary of Financial Results (Consolidated)
For the First Quarter of the Fiscal Year Ending April 30, 2020
(Japanese GAAP)

September 5, 2019

Listed company: Raccoon Holdings, Inc.

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 12, 2019

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, 2019 (May 1, 2019 through July 31, 2019)

(1) Consolidated operating results

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

	Net sales		EBITDA		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Term ended July 31, 2019	818	22.3	211	38.6	175	31.9	175	31.4	111	23.9
Term ended July 31, 2018	669	9.3	152	21.5	133	25.7	133	27.7	90	30.3

(Note) Comprehensive income:

Term ended July 31, 2019 ¥111 million (23.9%)

Term ended July 31, 2018 ¥90 million (30.3%)

(Note) EBITDA = Operating income + Depreciation + Amortization of goodwill (+ Equity in earnings of affiliates)

	Net income per share	Net income per share (diluted)
	Yen	Yen
Term ended July 31, 2019	6.01	5.96
Term ended July 31, 2018	5.05	4.97

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of July 31, 2019	8,371	2,699	32.1	144.79
As of April 30, 2019	8,848	2,697	30.4	144.86

(Reference) Shareholders' equity

As of July 31, 2019 ¥2,690 million

As of April 30, 2019 ¥2,689 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, 2019	–	0.00	–	6.00	6.00
Year ending April 30, 2020	–				
Year ending April 30, 2020 (forecast)		–	–	–	–

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

(Note) The dividend forecast for the end of the fiscal year ending April 30, 2020 is yet to be determined.

3. Forecast of consolidated results for the fiscal year ending April 30, 2020 (May 1, 2019 through April 30, 2020)

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

	Net sales		EBITDA		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	–	–	–	–	–	–	–	–	–	–	–
Full year	3,450	15.8	810	24.3	670	22.1	670	22.8	425	12.0	22.89

(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: None

(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, 2019	19,046,700	April 30, 2019	19,024,200
(ii) Number of treasury stock shares at the end of the term			
July 31, 2019	460,657	April 30, 2019	460,657
(iii) Average number of issued shares during the term			
July 31, 2019	18,579,244	July 31, 2018	17,834,327

*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, 2019 through July 31, 2019), the Japanese economy continued to face uncertainties due to a number of unforeseeable issues such as the prolonged U.S.-China trade friction negatively impacting the world economy and the political/trade dispute between Japan and South Korea, despite an ongoing modest recovery trend backed by improvements in corporate earnings and employment/income situations.

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 818,113,000 yen (up 22.3% year on year) in the first quarter under review.

In terms of expenditure, advertising expenses have increased in line with the Company's plan to further increase investment in advertisement in the fiscal year under review. Furthermore, amortization of goodwill increased as a result of the impact from the acquisition of the shares of ALEMO Inc. conducted in the previous fiscal year. In addition, while depreciation increased due to the Raccoon Group's acquisition of its own building, rental expenses on land and buildings decreased significantly. As a result, selling, general and administrative expenses increased 19.5% year on year, and EBITDA stood at 211,610,000 yen (up 38.6% year on year), operating income at 175,775,000 yen (up 31.9% year on year), ordinary income at 175,241,000 yen (up 31.4% year on year) and net income attributable to owners of parent at 111,590,000 yen (up 23.9% year on year).

Results by segment are as follows:

(i) EC business

Super Delivery, the mainstay service in the EC business, is working on increasing both membership and transaction value through improvement in average sale per customer. During the first quarter under review, the Company launched in May 2019 a new plan called "Catalogue Plan" that matches Japanese manufacturers with overseas buyers for free of charge in the SD export service. In line with the launch of "Catalogue Plan," the Company has launched initiatives to attract more companies to post information on their products by placing advertisement for prospective companies, which the Company has never done before. In addition, the Company concluded a comprehensive business partnership agreement with Adways Inc. and established a scheme to sell products at China's major B-to-C EC malls. Moreover, in July 2019, the Company began handling foreign liquor such as wine, whisky, spirits and various liqueurs for operators serving food and drink in restaurants/shops in Japan.

The transaction value grew 5.6% year on year during the first quarter under review as a result of the transaction value in the retail industry in the domestic market continuing to post a year-on-year positive growth as it did in the previous quarter in addition to the transaction value in industries other than retail continuing to increase. The value of overseas transactions (the sum of SD exports and overseas transactions via the Japanese-language website) increased steadily by 31.5% year on year. As a result, the total value of transactions in the Super Delivery service reached 2,927,620,000 yen (up 9.5% year on year).

At the end of the first quarter under review, concerning the Super Delivery service, the number of member retailers was 136,409 (up 9,247 from the end of the previous fiscal year), the number of companies posting information on their products was 1,442 (up 23 from the end of the previous fiscal year), and the number of items displayed was 901,906 (up 26,963 from the end of the previous fiscal year).

Sales in the EC business stood at 455,214,000 yen (up 7.1% year on year), and segment profit was 186,422,000 yen (up 11.4% year on year).

(ii) Financial business

In Paid, the number of member companies steadily increased to surpass 3,400. The Company has continued to make efforts to improve the operating rate of the acquired member companies and to increase sales per company. As a result, the value of transactions outside the Group stood at 4,549,949,000 yen (up 26.8% year on year) and the overall value of transactions (including 1,670,517,000 yen of transactions within the Group) at 6,220,467,000 yen (up 19.0% year on year).

In Guarantee, as to the T&G Credit Guarantee service and URIHO, the Company has worked to increase name recognition by seeking more efficient advertising media in addition to continuing to press ahead with business collaborations with local financial institutions to expand sales channels. Furthermore, as to rent guarantee services, we worked to increase name recognition of the services for both business and residential properties among real estate companies. Guarantees outstanding at the end of the first quarter under review amounted to 65,333,321,000 yen (22,030,599,000 yen for RACCOON FINANCIAL, Inc. and 43,302,721,000 yen for ALEMO Inc.) (up 3.8% from the end of the previous fiscal year).

As a result, sales in the Financial business stood at 406,380,000 yen (up 41.8% year on year) and segment profit was 73,979,000

yen (up 97.1% year on year).

(2) Explanation on the financial status

Assets totaled 8,371,623,000 yen at the end of the first quarter under review, down 476,437,000 yen from the end of the previous fiscal year. Current assets decreased 438,704,000 yen to 6,054,532,000 yen. The main factor for the decrease is the decrease in accounts receivable - trade affected by the timing of receipt of payment from payment collection agencies changing to before the end of the month. Non-current assets decreased 37,733,000 yen to 2,317,090,000 yen. The main factors for the decrease include the decrease of 23,929,000 yen in deferred tax assets and the recording of amortization of goodwill amounting to 10,625,000 yen.

Liabilities totaled 5,672,219,000 yen at the end of the first quarter under review, down 478,198,000 yen from the end of the previous fiscal year. Current liabilities decreased 403,852,000 yen to 4,325,992,000 yen. The main factors for the decrease are the decrease of 700,000,000 yen in short-term borrowings due to repayment while accounts payable - trade increased 562,336,000 yen; and the decrease of 198,182,000 yen in income taxes payable due to payment of income taxes. Non-current liabilities decreased 74,346,000 yen to 1,346,226,000 yen. The main factors for the decrease are the decrease of 52,916,000 yen in long-term borrowings due to the change in long-term borrowings to current portion of long-term borrowings; and the decrease of 21,000,000 yen in guarantee deposits received.

Net assets totaled 2,699,404,000 yen at the end of the first quarter under review, up 1,761,000 yen from the end of the previous fiscal year. The main factors of the increase are the increase of a total of 1,570,000 yen in capital stock and Capital surplus due to the exercising of share acquisition rights and the increase of retained earnings due to the recording of 111,590,000 yen as net income attributable to owners of parent while retained earnings decreased 111,381,000 yen due to payment of cash dividends.

(3) 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, 2019)	End of first quarter of the consolidated fiscal year under review (As of July 31, 2019)
Assets		
Current assets		
Cash and deposits	2,329,734	2,377,549
Accounts receivable - trade	3,965,484	3,521,625
Rights to claim compensation	33,041	41,103
Supplies	114	133
Prepaid expenses	163,563	147,791
Other	173,589	160,849
Allowance for doubtful accounts	(172,291)	(194,520)
Total current assets	6,493,237	6,054,532
Non-current assets		
Property, plant and equipment		
Buildings	615,881	615,881
Accumulated depreciation	(16,784)	(22,915)
Buildings, net	599,097	592,966
Vehicles	3,537	3,537
Accumulated depreciation	(3,537)	(3,537)
Vehicles, net	0	0
Tools, furniture and fixtures	47,358	47,177
Accumulated depreciation	(39,101)	(39,898)
Tools, furniture and fixtures, net	8,257	7,278
Land	877,903	877,903
Total property, plant and equipment	1,485,258	1,478,148
Intangible assets		
Software	172,109	184,951
Software in progress	24,099	14,709
Goodwill	324,080	313,455
Other	2,487	2,395
Total intangible assets	522,777	515,512
Investments and other assets		
Investment securities	120,362	120,362
Lease and guarantee deposits	12,337	12,909
Deferred tax assets	204,036	180,106
Other	10,051	10,051
Total investments and other assets	346,787	323,429
Total non-current assets	2,354,823	2,317,090
Total assets	8,848,060	8,371,623

(Thousand yen)

	End of previous consolidated fiscal year (As of April 30, 2019)	End of first quarter of the consolidated fiscal year under review (As of July 31, 2019)
Liabilities		
Current liabilities		
Accounts payable - trade	2,961,539	3,523,875
Short-term borrowings	700,000	—
Current portion of long-term borrowings	211,664	211,664
Accounts payable - other	73,473	72,175
Income taxes payable	244,084	45,901
Allowance for guarantees	83,472	75,335
Provision for bonuses	51,498	26,509
Provision for sales promotion expenses	7,910	8,840
Deposits received	17,543	18,072
Other	378,660	343,618
Total current liabilities	4,729,845	4,325,992
Non-current liabilities		
Long-term borrowings	1,363,338	1,310,422
Asset retirement obligations	3,673	3,675
Other	53,561	32,129
Total non-current liabilities	1,420,572	1,346,226
Total liabilities	6,150,418	5,672,219
Net assets		
Shareholders' equity		
Capital stock	846,224	847,009
Capital surplus	362,906	363,691
Retained earnings	1,612,425	1,612,634
Treasury shares	(132,348)	(132,348)
Total shareholders' equity	2,689,206	2,690,986
Share acquisition rights	8,435	8,418
Total net assets	2,697,642	2,699,404
Total liabilities and net assets	8,848,060	8,371,623

(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, 2018 to July 31, 2018)	First quarter of the consolidated fiscal year under review (From May 1, 2019 to July 31, 2019)
Net sales	669,023	818,113
Cost of sales	120,781	146,354
Gross profit	548,242	671,758
Selling, general and administrative expenses	414,967	495,983
Operating income	133,274	175,775
Non-operating income		
Commission income	741	675
Other	841	662
Total non-operating income	1,582	1,338
Non-operating expenses		
Interest expenses	119	943
Expenses for liquidation of receivables	1,295	—
Commission expenses	—	722
Other	56	206
Total non-operating expenses	1,471	1,872
Ordinary income	133,385	175,241
Income before income taxes	133,385	175,241
Income taxes	43,303	63,651
Net income	90,081	111,590
Net income attributable to owners of parent	90,081	111,590

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

(Thousand yen)

	First quarter of the previous consolidated fiscal year (From May 1, 2018 to July 31, 2018)	First quarter of the consolidated fiscal year under review (From May 1, 2019 to July 31, 2019)
Net income	90,081	111,590
Comprehensive income	90,081	111,590
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	90,081	111,590

(Segment information)

Segment information

I. First quarter of the previous consolidated fiscal year (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 profits	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 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, 2019 to July 31, 2019)

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	455,214	362,899	818,113	—	818,113
Inter-segment sales and transfers	—	43,481	43,481	(43,481)	—
Total	455,214	406,380	861,594	(43,481)	818,113
Segment profit	186,422	73,979	260,402	(84,626)	175,775

(Notes) 1. The segment profit adjustment of minus 84,626,000 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

(Significant subsequent events)

Not applicable