

Summary of Financial Results (Consolidated)

For the First Three Quarters of the Fiscal Year Ending April 30, 2020

(Japanese GAAP)

March 5, 2020

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: March 12, 2020

Scheduled date of commencement of dividend payment: –

Supplementary documents for quarterly financial results: Yes

Quarterly financial results briefing: No

Stock Exchange: Tokyo Stock Exchange

URL: <http://www.raccoon.ne.jp/>

Tel. +81-3-5652-1711

(Rounded down to the nearest million yen)

1. Consolidated results for the first nine months ended January 31, 2020 (May 1, 2019, through January 31, 2020)

(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 January 31, 2020	2,531	17.0	633	36.3	527	33.8	529	36.2	338	42.3
Term ended January 31, 2019	2,162	14.6	465	17.7	393	17.8	389	17.9	237	7.5

(Note) Comprehensive income:

Term ended January 31, 2020 ¥338 million (42.3%)

Term ended January 31, 2019 ¥237 million (7.5%)

(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 January 31, 2020	18.10	17.86
Term ended January 31, 2019	13.25	13.03

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of January 31, 2020	9,321	3,541	37.9	180.15
As of April 30, 2019	8,848	2,697	30.4	144.86

(Reference) Shareholders' equity

As of January 31, 2020 ¥3,531 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	–	0.00			
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
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			
January 31, 2020	19,606,043	April 30, 2019	19,024,200
(ii) Number of treasury stock shares at the end of the term			
January 31, 2020	—	April 30, 2019	460,657
(iii) Average number of issued shares during the term			
January 31, 2020	18,676,077	January 31, 2019	17,923,199

*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 First Three Quarters Review, (3) Explanation of forecasts including consolidated results forecasts on page 5.

○ Contents of Accompanying Materials

1. Qualitative Information on Results for the First Three Quarters under Review	4
(1) Explanation of operating results	4
(2) Explanation of forecasts including consolidated results forecasts	5
2. Quarterly Consolidated Financial Statements and Major Notes	6
(1) Consolidated balance sheets	6
(2) Consolidated statements of income and consolidated statements of comprehensive income.....	8
(Consolidated statements of income).....	8
(First three quarters under review).....	8
(Consolidated statements of comprehensive income).....	9
(First three quarters under review).....	9
(Segment information, etc.).....	10

1. Qualitative Information on Results for the First Three Quarters under Review

(1) Explanation of operating results

During the first three quarters under review (May 1, 2019 through January 31, 2020), the Japanese economy continued with a modest recovery trend backed by steady corporate earnings and improvements in employment/income situations and such. On the other hand, however, the future of the Japanese economy remains uncertain with concerns over the impact of the consumption tax hike on consumer spending as well as the world economic issues such as the prolonged U.S.-China trade issue, growing tension in the Middle East and impact of the new coronavirus outbreak to top it all.

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 2,531,098,000 yen (up 17.0% year on year) in the first three quarters 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 for land and buildings decreased significantly. As a result, selling, general and administrative expenses increased 12.4% year on year, and EBITDA stood at 633,856,000 yen (up 36.3% year on year), operating income at 527,123,000 yen (up 33.8% year on year) and ordinary income at 529,792,000 yen (up 36.2% year on year). During the first three quarters under review, expenses for reorganization related to the transition to holding company structure of 18,648,000 yen was recorded as extraordinary losses, resulting in consolidated net income attributable to owners of parent of 338,040,000 yen (up 42.3% 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 new membership and transaction value through improvement in average sale per customer. In addition, the service began to expand its membership target a few years ago to include domestic business operators other than retailers and overseas business operators in addition to conventional domestic retailers. The service is proactively increasing the types of products it handles in order to respond to needs for purchase which have diversified in line with the expansion of the target. Furthermore, during the fiscal year ending April 2020, Super Delivery has worked to connect with more companies and post their products as well as increase the number of items displayed by placing ads for prospective companies, something it has not done previously. As a result, the number of items displayed surpassed 1,100,000 in January 2020.

During the first three quarters under review, the domestic transaction value increased 6.7% year on year as a result of the steady increase in transactions by domestic retailers and business operators other than retailers, which has continued from the previous quarter. The value of overseas transactions (the sum of SD exports and overseas transactions via the Japanese-language website) increased 22.8% year on year as a result of part of shipment of masks, for which demand and orders have surged along with the outbreak of the new coronavirus and expansion of infections, being recorded in sales in the third quarter of the fiscal year under review. As a result, the total value of transactions in the Super Delivery service reached 8,953,948,000 yen (up 9.2% year on year).

At the end of the third quarter of the fiscal year under review, concerning the Super Delivery service, the number of member retailers was 153,219 (up 26,057 from the end of the previous fiscal year), the number of companies posting information on their products was 1,744 (up 325 from the end of the previous fiscal year), and the number of items displayed was 1,101,677 (up 226,734 from the end of the previous fiscal year).

Sales in the EC business stood at 1,404,270,000 yen (up 8.3% year on year), and segment profit was 591,520,000 yen (up 14.2% year on year).

(ii) Financial business

In Paid, the Company has continued to make efforts to improve the operating rate of the acquired member companies and to increase sales per company. The number of member companies steadily increased to surpass 3,600 as of the end of the third quarter of the fiscal year under review. As a result, the value of transactions outside the Group stood at 14,289,885,000 yen (up 20.7% year on year) and the overall value of transactions (including 5,121,912,000 yen of transactions within the Group) at 19,411,798,000 yen (up 15.5% 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. As part of such efforts, the Company started placing ads of URIHO in taxis in November 2019. Regarding the rent guarantee services, we continued to work to increase name recognition of the services for both business and residential properties among real estate companies. Guarantees outstanding at the end of the third quarter of the fiscal year under review amounted to 71,022,526,000 yen (24,549,892,000 yen for RACCOON FINANCIAL, Inc. and 46,472,633,000 yen for ALEMO Inc.) (up 12.8% from the end of the previous fiscal year).

As a result, sales in the Financial business stood at 1,260,153 yen (up 26.7% year on year) and segment profit was 195,723,000 yen (up 101.8% 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 forward-looking statements presented above are based on information available to the Company at the time 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 third quarter of the consolidated fiscal year under review (As of January 31, 2020)
Assets		
Current assets		
Cash and deposits	2,329,734	2,968,534
Accounts receivable - trade	3,965,484	3,601,925
Rights to claim compensation	33,041	47,341
Supplies	114	113
Prepaid expenses	163,563	122,268
Other	173,589	172,425
Allowance for doubtful accounts	(172,291)	(241,988)
Total current assets	6,493,237	6,670,621
Non-current assets		
Property, plant and equipment		
Buildings	615,881	626,041
Accumulated depreciation	(16,784)	(35,499)
Buildings, net	599,097	590,542
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)	(41,276)
Tools, furniture and fixtures, net	8,257	5,900
Land	877,903	882,140
Total property, plant and equipment	1,485,258	1,478,583
Intangible assets		
Software	172,109	174,628
Software in progress	24,099	25,596
Goodwill	324,080	292,204
Other	2,487	2,210
Total intangible assets	522,777	494,641
Investments and other assets		
Investment securities	120,362	439,875
Lease and guarantee deposits	12,337	12,910
Deferred tax assets	204,036	212,773
Other	10,051	12,189
Total investments and other assets	346,787	677,748
Total non-current assets	2,354,823	2,650,973
Total assets	8,848,060	9,321,594

(Thousand yen)

	End of previous consolidated fiscal year (As of April 30, 2019)	End of third quarter of the consolidated fiscal year under review (As of January 31, 2020)
Liabilities		
Current liabilities		
Accounts payable - trade	2,961,539	3,522,956
Short-term loans payable	700,000	200,000
Current portion of long-term loans payable	211,664	211,664
Accounts payable - other	73,473	73,257
Income taxes payable	244,084	32,839
Allowance for guarantees	83,472	92,960
Provision for bonuses	51,498	32,070
Provision for sales promotion expenses	7,910	11,280
Deposits received	17,543	8,891
Other	378,660	351,980
Total current liabilities	4,729,845	4,537,901
Non-current liabilities		
Long-term loans payable	1,363,338	1,204,590
Asset retirement obligations	3,673	3,679
Other	53,561	33,504
Total non-current liabilities	1,420,572	1,241,774
Total liabilities	6,150,418	5,779,675
Net assets		
Shareholders' equity		
Capital stock	846,224	1,015,497
Capital surplus	362,906	677,353
Retained earnings	1,612,425	1,839,084
Treasury shares	(132,348)	—
Total shareholders' equity	2,689,206	3,531,935
Subscription rights to shares	8,435	9,983
Total net assets	2,697,642	3,541,919
Total liabilities and net assets	8,848,060	9,321,594

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

(Thousand yen)

	First three quarters of the previous consolidated fiscal year (From May 1, 2018 to January 31, 2019)	First three quarters of the consolidated fiscal year under review (From May 1, 2019 to January 31, 2020)
Net sales	2,162,495	2,531,098
Cost of sales	418,268	485,692
Gross profit	1,744,226	2,045,405
Selling, general and administrative expenses	1,350,332	1,518,282
Operating income	393,894	527,123
Non-operating income		
Commission fee	2,170	1,906
Gain on investments in partnership	2,913	4,392
Other	1,096	2,976
Total non-operating income	6,179	9,275
Non-operating expenses		
Interest expenses	937	3,229
Expenses for liquidation of receivables	3,967	—
Commission fee	234	1,569
Issuance cost of subscription rights to shares	5,615	—
Taxes and dues	—	1,509
Other	317	298
Total non-operating expenses	11,071	6,607
Ordinary income	389,002	529,792
Extraordinary losses		
Reorganization-related expenses	18,648	—
Total extraordinary losses	18,648	—
Income before income taxes	370,353	529,792
Income taxes	132,794	191,751
Net income	237,559	338,040
Net income attributable to owners of parent	237,559	338,040

(Consolidated statements of comprehensive income)
(First three quarters under review)

(Thousand yen)

	First three quarters of the previous consolidated fiscal year (From May 1, 2018 to January 31, 2019)	First three quarters of the consolidated fiscal year under review (From May 1, 2019 to January 31, 2020)
Net income	237,559	338,040
Comprehensive income	237,559	338,040
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	237,559	338,040

(Segment information, etc.)

Segment information

I. First three quarters of the previous consolidated fiscal year (from May 1, 2018 to January 31, 2019)

1. Sales, profits or losses in each reporting segment

(Thousand yen)

	Reporting segment			Adjustment (Note 1)	Amount for consolidated statements of income (Notes 2)
	EC	Financial	Total		
Sales					
Sales to external customers	1,296,866	865,629	2,162,495	—	2,162,495
Inter-segment sales and transfers	—	129,203	129,203	(129,203)	—
Total	1,296,866	994,833	2,291,699	(129,203)	2,162,495
Segment profit	517,927	97,011	614,939	(221,045)	393,894

(Notes) 1. The segment profit adjustment of minus 221,045,000 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 or goodwill, etc. by reporting segment

(Significant changes in amount of goodwill)

In the “Financial business” segment, the Company acquired all the shares of ALEMO Inc. on December 7, 2018 and made it its consolidated subsidiary.

Furthermore, the increased amount of goodwill by the said event was 327,813,000 yen in the third quarter of the fiscal year under review.

II. First three quarters of the consolidated fiscal year under review (from May 1, 2019 to January 31, 2020)

1. Sales, profits or losses in each reporting segment

(Thousand yen)

	Reporting segment			Adjustment (Note 1)	Amount for consolidated statements of income (Notes 2)
	EC	Financial	Total		
Sales					
Sales to external customers	1,404,270	1,126,827	2,531,098	—	2,531,098
Inter-segment sales and transfers	—	133,325	133,325	(133,325)	—
Total	1,404,270	1,260,153	2,664,424	(133,325)	2,531,098
Segment profit	591,520	195,723	787,243	(260,120)	527,123

(Notes) 1. The segment profit adjustment of minus 260,120,000 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 or goodwill, etc. by reporting segment

Not applicable