

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

December 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: December 12, 2019

Scheduled date of commencement of dividend payment: –

Supplementary documents for quarterly financial results: Yes

Quarterly financial results briefing: Yes

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 six months ended October 31, 2019 (May 1, 2019, through October 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 October 31, 2019	1,667	23.4	436	40.8	365	34.8	369	38.4	236	30.1
Term ended October 31, 2018	1,351	9.1	310	23.0	270	27.6	267	28.2	182	30.2

(Note) Comprehensive income:

Term ended October 31, 2019 ¥236 million (30.1%)

Term ended October 31, 2018 ¥182 million (30.2%)

(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 October 31, 2019	12.75	12.65
Term ended October 31, 2018	10.20	10.04

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of October 31, 2019	8,887	2,844	31.9	152.26
As of April 30, 2019	8,848	2,697	30.4	144.86

(Reference) Shareholders' equity

As of October 31, 2019

¥2,834 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			
October 31, 2019	19,046,700	April 30, 2019	19,024,200
(ii) Number of treasury stock shares at the end of the term			
October 31, 2019	430,657	April 30, 2019	460,657
(iii) Average number of issued shares during the term			
October 31, 2019	18,586,094	October 31, 2018	17,869,322

*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 Half under Review, (3) 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.

○ Contents of Accompanying Materials

1. Qualitative Information on Results for the First Half 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 half under review)	8
(Consolidated statements of comprehensive income).....	9
(First half under review)	9
(3) Consolidated statements of cash flows	10
(Segment information, etc.)	11

1. Qualitative Information on Results for the First Half under Review

(1) Explanation of operating results

During the first half of the fiscal year under review (May 1, 2019, through October 31, 2019), despite an ongoing modest recovery trend backed by improvements in corporate earnings and employment/income situations, the Japanese economy faced issues such as possible downward swing of the economy due to a series of natural disasters and the consumption tax hike, deterioration of relations with South Korea and such. The future of the Japanese economy remains uncertain given overseas trade issues and other uncertainties in overseas economies in addition to the need to pay attention to fluctuations in financial and capital markets. 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 1,667,844,000 yen (up 23.4% 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 for land and buildings decreased significantly. As a result, selling, general and administrative expenses increased 20.2% year on year, and EBITDA stood at 436,615,000 yen (up 40.8% year on year), operating income at 365,244,000 yen (up 34.8% year on year), ordinary income at 369,712,000 yen (up 38.4% year on year) and net income attributable to owners of parent at 236,960,000 yen (up 30.1% 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. In addition, the service began to expand its membership target a few years ago to include domestic businesses other than retailers and overseas businesses in addition to conventional domestic retailers. Along with the expansion, the service is proactively increasing the types of products it handles in order to respond to diversifying needs for purchase. In October 2019 of the first six months of the fiscal year under review, Super Delivery started to handle tools such as DIY kits and carpenter tools. 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 1,000,000 in October 2019.

During the first half of the fiscal year under review, the transaction value increased 7.8% year on year as a result of recovery in transactions in the domestic retail industry due to the launch of product supply to Amazon Fashion, the apparel category of major EC mall Amazon, as well as significant increase in domestic transactions in industries other than retail. The value of overseas transactions (the sum of SD exports and overseas transactions via the Japanese-language website) was sluggish for Hong Kong and South Korea due to the tense situation in Hong Kong and Japan's deteriorating relations with South Korea. However, transactions steadily increased for other countries, increasing the value of overseas transactions by 22.0% year on year. As a result, the total value of transactions in the Super Delivery service reached 5,884,928,000 yen to mark double-digit growth of 10% year on year.

At the end of the second quarter of the fiscal year under review, concerning the Super Delivery service, the number of member retailers was 144,935 (up 17,773 from the end of the previous fiscal year), the number of companies posting information on their products was 1,623 (up 204 from the end of the previous fiscal year), and the number of items displayed was 1,039,101 (up 164,158 from the end of the previous fiscal year).

Sales in the EC business stood at 927,477,000 yen (up 9.0% year on year), and segment profit was 387,655,000 yen (up 16.9% year on year).

(ii) Financial business

In Paid, the number of member companies steadily increased to surpass 3,500. 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 9,398,582,000 yen (up 24.2% year on year) and the overall value of transactions (including 3,408,495,000 yen of transactions within the Group) at 12,807,078,000 yen (up 18.3% 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 to URIHO, changes were made in August 2019 to expand applicable target companies to those with annual sales of 1,000 million yen or less instead of the previous 500 million yen or less, so that more small and medium-sized businesses will be able to use the service. Furthermore, as to 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 second quarter of the fiscal year under review amounted to 68,176,583,000 yen (23,360,385,000 yen for RACCOON FINANCIAL, Inc. and 44,816,198,000 yen for ALEMO Inc.) (up 8.3% from the end of the previous fiscal year).

As a result, sales in the Financial business stood at 829,087,000 yen (up 41.5% year on year) and segment profit was 149,569 yen (up 88.9% 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 second quarter of the consolidated fiscal year under review (As of October 31, 2019)
Assets		
Current assets		
Cash and deposits	2,329,734	2,619,448
Accounts receivable - trade	3,965,484	3,881,251
Rights to claim compensation	33,041	41,832
Supplies	114	121
Prepaid expenses	163,563	129,759
Other	173,589	85,252
Allowance for doubtful accounts	(172,291)	(209,134)
Total current assets	6,493,237	6,548,531
Non-current assets		
Property, plant and equipment		
Buildings	615,881	626,041
Accumulated depreciation	(16,784)	(29,271)
Buildings, net	599,097	596,770
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)	(40,602)
Tools, furniture and fixtures, net	8,257	6,574
Land	877,903	882,140
Total property, plant and equipment	1,485,258	1,485,485
Intangible assets		
Software	172,109	192,037
Software in progress	24,099	3,749
Goodwill	324,080	302,830
Other	2,487	2,303
Total intangible assets	522,777	500,920
Investments and other assets		
Investment securities	120,362	114,125
Lease and guarantee deposits	12,337	12,910
Deferred tax assets	204,036	213,788
Other	10,051	12,067
Total investments and other assets	346,787	352,891
Total non-current assets	2,354,823	2,339,297
Total assets	8,848,060	8,887,828

(Thousand yen)

	End of previous consolidated fiscal year (As of April 30, 2019)	End of second quarter of the consolidated fiscal year under review (As of October 31, 2019)
Liabilities		
Current liabilities		
Accounts payable - trade	2,961,539	3,826,778
Short-term loans payable	700,000	—
Current portion of long-term loans payable	211,664	211,664
Accounts payable - other	73,473	69,236
Income taxes payable	244,084	120,568
Allowance for guarantees	83,472	84,567
Provision for bonuses	51,498	67,775
Provision for sales promotion expenses	7,910	11,030
Deposits received	17,543	8,765
Other	378,660	350,416
Total current liabilities	4,729,845	4,750,803
Non-current liabilities		
Long-term loans payable	1,363,338	1,257,506
Asset retirement obligations	3,673	3,677
Other	53,561	31,793
Total non-current liabilities	1,420,572	1,292,977
Total liabilities	6,150,418	6,043,780
Net assets		
Shareholders' equity		
Capital stock	846,224	847,009
Capital surplus	362,906	373,145
Retained earnings	1,612,425	1,738,004
Treasury shares	(132,348)	(123,729)
Total shareholders' equity	2,689,206	2,834,430
Subscription rights to shares	8,435	9,618
Total net assets	2,697,642	2,844,048
Total liabilities and net assets	8,848,060	8,887,828

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

(Thousand yen)

	First half of the previous consolidated fiscal year (From May 1, 2018, to October 31, 2018)	First half of the consolidated fiscal year under review (From May 1, 2019, to October 31, 2019)
Net sales	1,351,725	1,667,844
Cost of sales	249,934	303,610
Gross profit	1,101,790	1,364,234
Selling, general and administrative expenses	830,929	998,989
Operating income	270,861	365,244
Non-operating income		
Commission fee	1,530	1,341
Gain on investments in partnership	2,913	4,392
Other	923	2,720
Total non-operating income	5,366	8,454
Non-operating expenses		
Interest expenses	507	1,984
Expenses for liquidation of receivables	2,793	—
Commission fee	109	1,478
Issuance cost of subscription rights to shares	5,615	—
Other	112	524
Total non-operating expenses	9,138	3,986
Ordinary income	267,089	369,712
Income before income taxes	267,089	369,712
Income taxes	84,906	132,752
Net income	182,183	236,960
Net income attributable to owners of parent	182,183	236,960

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

(Thousand yen)

	First half of the previous consolidated fiscal year (From May 1, 2018, to October 31, 2018)	First half of the consolidated fiscal year under review (From May 1, 2019, to October 31, 2019)
Net income	182,183	236,960
Comprehensive income	182,183	236,960
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	182,183	236,960

(3) Consolidated statements of cash flows

(Thousand yen)

	First half of the previous consolidated fiscal year (From May 1, 2018, to October 31, 2018)	First half of the consolidated fiscal year under review (From May 1, 2019, to October 31, 2019)
Cash flows from operating activities		
Income before income taxes	267,089	369,712
Depreciation	34,436	50,499
Amortization of goodwill	4,860	21,250
Share-based remuneration expenses	—	1,273
Increase (decrease) in allowance for doubtful accounts	56	36,842
Increase (decrease) in allowance for guarantees	5,374	1,095
Interest and dividend income	(12)	(14)
Interest expenses	(2,913)	(4,392)
Loss (gain) on investments in partnership	507	1,984
Decrease (increase) in notes and accounts receivable - trade	(134,947)	84,232
Decrease (increase) in rights to claim compensation	(16,027)	(8,791)
Decrease (increase) in inventories	3,256	(6)
Increase (decrease) in notes and accounts payable - trade	442,096	865,239
Increase (decrease) in deposits received	11,101	(8,778)
Increase (decrease) in advances received	(2,278)	(17,808)
Decrease (increase) in prepaid expenses	14,786	33,804
Decrease/increase in consumption taxes receivable/payable	335	81,712
Other	18,724	(37,454)
Subtotal	646,446	1,470,402
Interest and dividend income received	12	14
Interest expenses paid	(676)	(2,164)
Income taxes paid	(81,398)	(266,356)
Income taxes refund	—	36,696
Cash flows provided by (used in) operating activities	564,382	1,238,593
Cash flows from investing activities		
Purchase of property, plant and equipment	(815)	(14,862)
Purchase of intangible assets	(36,613)	(45,156)
Purchase of investment securities	—	10,500
Payments for lease and guarantee deposits	—	(572)
Other	125	60
Cash flows provided by (used in) investing activities	(37,303)	(50,032)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	—	(700,000)
Proceeds from long-term loans payable	500,000	—
Repayments of long-term loans payable	(66,666)	(105,832)
Cash dividends paid	(92,610)	(111,381)
Proceeds from issuance of subscription rights to shares	8,011	—
Proceeds from issuance of shares resulting from exercise of subscription rights to shares	6,893	1,552
Purchase of treasury shares	(0)	—
Proceeds from disposal of treasury shares resulting from exercise of subscription rights to shares	12,000	18,000
Other	(3,304)	(1,687)
Cash flows provided by (used in) financing activities	364,322	(899,348)
Net increase (decrease) in cash and cash equivalents	891,401	289,212
Cash and cash equivalents at beginning of period	2,155,442	2,323,730

Cash and cash equivalents at end of period

3,046,844

2,612,943

(Segment information, etc.)

Segment information

I. First half of the previous consolidated fiscal year (from May 1, 2018, to October 31, 2018)

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	850,622	501,102	1,351,725	—	1,351,725
Inter-segment sales and transfers	—	84,913	84,913	(84,913)	—
Total	850,622	586,016	1,436,638	(84,913)	1,351,725
Segment profit	331,477	79,171	410,648	(139,787)	270,861

(Notes) 1. The segment profit adjustment of minus 139,787,000 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

II. First half of the consolidated fiscal year under review (from May 1, 2019, to October 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	927,477	740,366	1,667,844	—	1,667,844
Inter-segment sales and transfers	—	88,720	88,720	(88,720)	—
Total	927,477	829,087	1,756,565	(88,720)	1,667,844
Segment profit	387,655	149,569	537,224	(171,979)	365,244

(Notes) 1. The segment profit adjustment of minus 171,979,00 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