

Summary of Financial Results (Consolidated)

For the First Quarter of the Fiscal Year Ending April 30, 2021

(Japanese GAAP)

September 3, 2020

Listed company: Raccoon Holdings, Inc.

Code: 3031

Representative: Isao Ogata, President and Representative Director

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

Tel. +81-3-5652-1711

Scheduled date of submission of quarterly report: September 10, 2020

Scheduled date of commencement of dividend payment: –

Supplementary documents for quarterly financial results: Yes

Quarterly financial results briefing: Yes (for institutional investors and securities analysts)

Stock Exchange: Tokyo Stock Exchange

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

(Rounded down to the nearest million yen)

1. Consolidated results for the first quarter ended July 31, 2020 (May 1, 2020, through July 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	%
First quarter of fiscal year ending April 2021	1,084	32.5	382	80.6	344	96.1	334	91.1	220	97.6
First quarter of fiscal year ended April 2020	818	22.3	211	38.6	175	31.9	175	31.4	111	23.9

(Note) Comprehensive income First quarter of fiscal year ending April 2021 ¥220 million (97.6%)

First quarter of fiscal year ended April 2020 ¥111 million (23.9%)

(Note) EBITDA = Operating income + depreciation + amortization of goodwill (+ equity in earnings of affiliates)

	Net income per share	Net income per share (diluted)
	Yen	Yen
First quarter of fiscal year ending April 2021	10.69	10.34
First quarter of fiscal year ended April 2020	6.01	5.96

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of July 31, 2020	13,080	4,738	36.1	224.14
As of April 30, 2020	13,600	3,999	29.3	197.68

(Reference) Shareholders' equity As of July 31, 2020 ¥4,726 million
As of April 30, 2020 ¥3,988 million

2. Dividends

	Dividend per share				
	End of Q1	End of Q2	End of Q3	Year end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended April 30, 2020	–	0.00	–	6.50	6.50
Fiscal year ending April 30, 2021	–				
Fiscal year ending April 30, 2021 (forecast)		8.00	–	8.00	16.00

(Note) Revisions to dividend forecasts announced most recently: Yes

For revisions to dividend forecasts, please refer to "Notice Concerning Revisions to Dividend Forecasts" separately announced today (September 3, 2020).

3. Forecast of consolidated results for the fiscal year ending April 30, 2021 (May 1, 2020, through April 30, 2021)

(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	4,450	28.0	1,330	56.7	1,180	67.1	1,160	63.7	740	64.0	34.61
	~	~	~	~	~	~	~	~	~	~	~
	4,600	32.3	1,410	66.2	1,270	79.9	1,250	76.4	800	77.3	37.42

(Note) Revisions to financial forecasts announced most recently: Yes

For revisions to forecasts of consolidated results, please refer to "Notice Concerning Revisions to Full-Year Financial Forecasts" separately announced today (September 3, 2020).

* Notes

(1) Important changes in subsidiaries during the quarter (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 quarter			
July 31, 2020	21,085,043	April 30, 2020	20,176,043
(ii) Number of treasury stock shares at the end of the quarter			
July 31, 2020	41	April 30, 2020	—
(iii) Average number of issued shares during the quarter			
First quarter ended July 31, 2020	20,632,216	First quarter ended July 31, 2019	18,579,244

*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, contained in this document are based on information the Company has obtained as of today and certain assumptions the Company considers reasonable. The Company does not guarantee its achievement of the forward-looking statements. Actual results may differ significantly 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, (3) Explanation of forecasts including consolidated results forecast on page 5.

(How to obtain supplementary information for quarterly financial results)

Supplementary documents for the quarterly financial results will be disclosed on the TDnet (Timely Disclosure network operated by the Tokyo Stock Exchange) at a later date.

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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, 2020, through July 31, 2020), the Japanese economy fell into a tough situation as economic activities were significantly constrained under the state of emergency declared by the government following the spread of the novel coronavirus (COVID-19). While restrictions on economic activities have been gradually relaxed since the emergency declaration was lifted, the outlook remains extremely uncertain as it is impossible to foresee when COVID-19 will subside or discern the impact of the spread of infection. The outlook of overseas economies has also become increasingly uncertain in the face of such factors as the U.S.-China trade friction and the turmoil in Hong Kong caused by the enactment of the Law on Safeguarding National Security.

Under such circumstances, 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.” With demand for the Company’s services remaining strong under the prolonged COVID-19 pandemic, the number of new users expanded both in the EC and Financial businesses, as inquiries and applications from companies continued to increase. As a result, consolidated net sales amounted to 1,084,227,000 yen (up 32.5% year on year) in the first quarter under review.

In terms of expenditures, the ratio of cost of sales for the Financial business dropped sharply due to the amount of guarantees it provided decreasing from the fourth quarter of the previous fiscal year when the first wave of COVID-19 arrived and as a result of reviewing allowance for guarantees, allowance for claim compensation, and allowance for doubtful accounts. As for selling, general and administrative expenses, personnel cost and advertising expenses increased but other expenses in general remained at a low level. Consequently, operating income amounted to 344,748,000 yen (up 96.1% year on year) and the operating income ratio rose significantly to 31.8%, up 10.3 points year on year. On top of this, EBITDA stood at 382,196,000 yen (up 80.6%), ordinary income at 334,894,000 yen (up 91.1%), and net income attributable to owners of parent at 220,493,000 yen (up 97.6%), all on a year-on-year basis.

Results by segment are as follows:

(i) EC business

In Super Delivery, the mainstay service in the EC business, efforts have been made to increase both new membership and transaction value through improvement in average sale per customer. The Super Delivery service is available for a wide variety of businesses either in or outside Japan, including overseas businesses, on top of domestic retailers and non-retail businesses.

In the fourth quarter of the fiscal year ended April 2020, the number of registrations increased in both membership and companies posting information on their products as there was an inflow of companies that found it difficult to conduct wholesale through conventional face-to-face marketing and carry out purchases under the circumstances of the spread of COVID-19. This trend has continued into the first quarter under review, with the number of registrations growing acceleratingly. Consequently, at the end of the first quarter under review, the number of Super Delivery member retailers stood at 179,731 (up 12,664), the number of companies posting information on their products counted 2,032 (up 179), and the number of items displayed was 1,238,454 (up 91,163), all compared with the end of the previous fiscal year.

Against the backdrop of the prolonged COVID-19 pandemic, there is a growing need for using Super Delivery as a service that enables non-face-to-face transactions. Demand for masks and sterilization goods, for which the value of transactions soared in the fourth quarter of the previous fiscal year, is still continuing but decreasing gradually. Meanwhile, the value of transactions of other products has increased both in and outside Japan. With an increase both in the number of purchasers and average sale per customer, the transaction value in the first quarter under review totaled 5,127,935,000 yen, up 75.2% from the year-earlier quarter. The value of transactions in Japan increased by 74.9%, and the value of transactions overseas rose 76.4% on a year-on-year basis, both recording the highest rate of increase in recent years.

Sales in the EC business stood at 688,464,000 yen (up 51.2% year on year), and segment profit was 333,001,000 yen (up 78.6% year on year).

(ii) Financial business

In the Paid service, the Company has continued its endeavors to improve the operating rate of the acquired member companies and increase sales per company. The number of member companies steadily increased to surpass 3,800. While the value of transactions in the fourth quarter of the fiscal year ended April 2020 had decreased under the influence of many member companies seeing a decrease in sales due to the spread of COVID-19, the figure recovered in the first quarter under review as member companies' sales recovered, among other reasons. Accordingly, the value of transactions outside the Group totaled 4,894,563,000 yen (up 7.6% year on year) and the overall value of transactions (including 2,408,086,000 yen of transactions within the Group) stood at 7,302,650,000 yen (up 17.4% year on year).

In Guarantee services, the Company has continued to press ahead with business collaborations with local financial institutions to expand channels for the T&G Credit Guarantee service and the URIHO service, and worked to increase name recognition in the service by seeking more efficient advertising media. Against the backdrop of the prolonged COVID-19 pandemic, inquiries from small- to medium-sized companies investigating countermeasures against the risk of bankruptcy and arrears of their business partners have continued to increase.

Regarding rent guarantee services, the Company integrated its services for business and residential properties, which had been separately operated by RACCOON FINANCIAL, Inc. and ALEMO Inc., into ALEMO Inc. in May 2020, and ALEMO made a fresh start by changing its name to RACCOON RENT, Inc. The Company continued its efforts to increase name recognition of its services for both business and residential properties among real estate companies.

Guarantees outstanding at the end of the first quarter under review amounted to 77,786,123,000 yen (18,403,599,000 yen for RACCOON FINANCIAL, Inc. and 59,382,523,000 yen for RACCOON RENT, Inc.), up 2.8% from the end of the previous fiscal year (up 19.1% from the first quarter of the previous fiscal year).

As a result, sales in the Financial business stood at 458,431,000 yen (up 12.8% year on year). Cost of sales decreased as the amount of guarantees provided decreased. In addition to this, the Company reviewed allowance for guarantees, allowance for claim compensation, and allowance for doubtful accounts, in consideration of the recent situation of guarantees provided. These led to a significant drop in the rate of cost of sales for the Financial business. Accordingly, segment profit totaled 119,745,000 yen (up 61.9% year on year).

(2) Explanation on the financial status

Total assets at the end of the first quarter under review amounted to 13,080,249,000 yen, down 519,828,000 yen from the end of the previous fiscal year. Current assets decreased 473,216,000 yen to 10,450,196,000 yen. The main factor for the decrease is the decrease of 621,704,000 yen in cash and deposits due to repayment of long-term loans payable and short-term loans payable, despite the increase of 166,164,000 yen in accounts receivable - trade due to increased transactions. Non-current assets decreased 46,611,000 yen to 2,630,052,000 yen. The main factors for the decrease are the decrease of 13,489,000 yen in investment securities due to dividends received and the decrease of 6,126,000 yen in deferred tax assets, as well as the recording of amortization of goodwill amounting to 10,625,000 yen.

Liabilities at the end of the first quarter under review totaled 8,342,050,000 yen, down 1,258,315,000 yen from the end of the previous fiscal year. Current liabilities decreased 1,170,186,000 yen to 6,975,994,000 yen. The main factor for the decrease is the decrease of 1,440,000,000 yen in short-term loans payable due to repayment, although accounts payable - trade increased 281,566,000 yen. Non-current liabilities decreased 88,128,000 yen to 1,366,056,000 yen. The main factor for the decrease is the decrease of 86,257,000 yen in long-term loans payable due to repayment.

Net assets at the end of the first quarter under review totaled 4,738,198,000 yen, up 738,486,000 yen from the end of the previous fiscal year. The main factors for the increase are the increase of a total of 648,347,000 yen in capital stock and legal capital surplus due to the exercising of subscription rights to shares and the increase in retained earnings due to the recording of 220,493,000 yen as net income attributable to owners of parent, while retained earnings decreased 131,144,000 yen due to payment of cash dividends.

(3) Explanation of forecasts including consolidated results forecasts

With regard to the forecast of consolidated results for the fiscal year ending April 2021, the Company has revised the forecast announced on June 11, 2020, taking into account its recent performance trends. For more details, please refer to "Notice Concerning Revisions to Full-Year Financial Forecasts" announced today.

The forecasts presented above are based on information available to the Company at the time of the announcement and certain assumptions that the Company considers reasonable. Actual results may differ significantly due to a variety of uncertain 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, 2020)	End of first quarter of the consolidated fiscal year under review (As of July 31, 2020)
Assets		
Current assets		
Cash and deposits	6,641,033	6,019,329
Accounts receivable - trade	4,208,093	4,374,257
Rights to claim compensation	43,761	54,997
Supplies	105	120
Prepaid expenses	187,585	180,015
Other	70,770	57,612
Allowance for doubtful accounts	(227,937)	(236,136)
Total current assets	10,923,413	10,450,196
Non-current assets		
Property, plant and equipment		
Buildings	627,207	622,859
Accumulated depreciation	(41,729)	(45,397)
Buildings, net	585,478	577,461
Vehicles	3,537	—
Accumulated depreciation	(3,537)	—
Vehicles, net	0	—
Tools, furniture and fixtures	48,347	40,585
Accumulated depreciation	(42,015)	(34,459)
Tools, furniture and fixtures, net	6,331	6,125
Land	882,140	882,140
Total property, plant and equipment	1,473,950	1,465,727
Intangible assets		
Software	191,723	209,177
Software in progress	30,113	9,652
Goodwill	281,579	270,954
Other	2,118	2,033
Total intangible assets	505,534	491,817
Investments and other assets		
Investment securities	427,740	414,250
Lease and guarantee deposits	15,463	11,263
Deferred tax assets	241,725	235,599
Other	12,249	11,393
Total investments and other assets	697,178	672,507
Total non-current assets	2,676,664	2,630,052
Total assets	13,600,077	13,080,249

(Thousand yen)

	End of previous consolidated fiscal year (As of April 30, 2020)	End of first quarter of the consolidated fiscal year under review (As of July 31, 2020)
Liabilities		
Current liabilities		
Accounts payable - trade	4,365,434	4,647,000
Short-term borrowings	2,640,000	1,200,000
Current portion of long-term borrowings	344,996	345,004
Accounts payable - other	77,515	126,837
Income taxes payable	78,073	61,547
Allowance for guarantees	125,073	131,531
Provision for bonuses	74,457	33,594
Provision for sales promotion expenses	13,280	15,950
Deposits received	8,612	19,222
Other	418,737	395,305
Total current liabilities	8,146,180	6,975,994
Non-current liabilities		
Long-term borrowings	1,418,342	1,332,085
Asset retirement obligations	3,682	1,027
Other	32,160	32,943
Total non-current liabilities	1,454,184	1,366,056
Total liabilities	9,600,365	8,342,050
Net assets		
Shareholders' equity		
Capital stock	1,187,195	1,511,369
Capital surplus	849,051	1,173,225
Retained earnings	1,952,147	2,041,496
Treasury shares	—	(42)
Total shareholders' equity	3,988,394	4,726,048
Share acquisition rights	11,317	12,149
Total net assets	3,999,711	4,738,198
Total liabilities and net assets	13,600,077	13,080,249

(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, 2019, to July 31, 2019)	First quarter of the consolidated fiscal year under review (From May 1, 2020, to July 31, 2020)
Net sales	818,113	1,084,227
Cost of sales	146,354	176,342
Gross profit	671,758	907,885
Selling, general and administrative expenses	495,983	563,136
Operating income	175,775	344,748
Non-operating income		
Commission income	675	1,261
Other	662	424
Total non-operating income	1,338	1,685
Non-operating expenses		
Interest expenses	943	4,161
Commission expenses	722	5,061
Other	206	2,315
Total non-operating expenses	1,872	11,538
Ordinary income	175,241	334,894
Extraordinary losses		
Office relocation expenses	—	10,006
Total extraordinary losses	—	10,006
Income before income taxes	175,241	324,888
Income taxes	63,651	104,394
Net income	111,590	220,493
Net income attributable to owners of parent	111,590	220,493

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

(Thousand yen)

	First quarter of the previous consolidated fiscal year (From May 1, 2019, to July 31, 2019)	First quarter of the consolidated fiscal year under review (From May 1, 2020, to July 31, 2020)
Net income	111,590	220,493
Comprehensive income	111,590	220,493
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	111,590	220,493

(Segment information)

Segment information

I. First quarter of the previous consolidated fiscal year (from May 1, 2019, to July 31, 2019)

1. Sales and 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

II. First quarter of the consolidated fiscal year under review (from May 1, 2020, to July 31, 2020)

1. Sales and 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	688,464	395,763	1,084,227	—	1,084,227
Inter-segment sales and transfers	—	62,668	62,668	(62,668)	—
Total	688,464	458,431	1,146,896	(62,668)	1,084,227
Segment profit	333,001	119,745	452,747	(107,999)	344,748

(Notes) 1. The segment profit adjustment of minus 107,999,000 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