Summary of Financial Results (Consolidated)
For the First Half of the Fiscal Year Ending April 30, 2017
(Japanese GAAP)

November 29, 2016

Listed company: Raccoon Co., Ltd. Stock Exchange: Tokyo Stock Exchange
Code: 3031 URL: http://www.raccoon.ne.jp/
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Scheduled date of submission of quarterly report: December 15, 2016
Scheduled date of commencement of dividend payment: –
Supplementary documents for quarterly financial results: Yes
Quarterly financial results briefing: Yes

(Rounded down to the nearest million yen)

1. Consolidated results for the first six months ended October 31, 2016 (May 1, 2016 through October 31, 2016)

(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 October 31, 2016	1,145	6.3	199	8.9	195	7.6	104	(11.0)
Term ended October 31, 2015	1,077	8.1	183	22.2	181	19.9	117	23.2

(Note) Comprehensive income: Term ended October 31, 2016 ¥104 million (-11.0%)
Term ended October 31, 2015 ¥117 million (24.2%)

	Net income per share	Net income per share (diluted)
	Yen	Yen
Term ended October 31, 2016	5.94	5.73
Term ended October 31, 2015	6.79	6.45

(Note) On August 1, 2015, the Company implemented a 3-for-1 common stock split. The net income per share and net income per share (diluted) are calculated as if the stock split had been implemented at the beginning of the previous fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of October 31, 2016	5,079	1,802	35.4	102.60
As of April 30, 2016	4,969	1,777	35.7	101.17

(Reference) Shareholders' equity As of October 31, 2016 ¥1,800 million
As of April 30, 2016 ¥1,774 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, 2016	–	0.00	–	4.50	4.50
Year ending April 30, 2017	–	0.00			
Year ending April 30, 2017 (forecast)			–	–	–

(Note) Revisions to dividend forecasts published most recently: None
(Note) The dividend forecast for the end of the fiscal year ending April 30, 2017 is yet to be determined.

3. Forecast of consolidated results for the fiscal year ending April 30, 2017 (May 1, 2016 through April 30, 2017)

(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
Full year	2,500	12.1	420	6.7	420	14.2	250	4.4	14.25

(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

October 31, 2016	18,317,700	April 30, 2016	18,312,300

(ii) Number of treasury stock shares at the end of the fiscal year

October 31, 2016	770,538	April 30, 2016	770,538

(iii) Average number of issued shares during the fiscal year

October 31, 2016	17,545,014	October 31, 2015	17,248,655

(Note) On August 1, 2015, the Company implemented a 3-for-1 common stock split. The number of issued shares (common shares) is calculated as if the stock split had been implemented at the beginning of the previous fiscal year.

* Statement about the implementation status for quarterly reviewing procedures
This summary of quarterly financial results does not fall under the scope of quarterly reviewing procedures based on the Financial Instruments and Exchange Act. The procedures for reviewing quarterly consolidated financial statements based on the Financial Instruments and Exchange Act were not completed when this summary of quarterly financial results was disclosed.

* Explanation about the proper use of results forecasts, and other special notes
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 forecasts on page 6 of the accompanying materials.

○ Contents of Accompanying Materials

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

(1) Explanation of operating results

During the first half under review (May 1, 2016 through October 31, 2016), the Japanese economy recovered modestly, supported by factors such as improvements in corporate earnings and employment conditions. However, the economic outlook remained uncertain, reflecting weak consumer confidence and personal consumption lacking growth due to conditions such as unstable foreign exchange and stock price fluctuations under the adverse effects of a slowdown in the Chinese economy and the Brexit issue, as well as a sense of vigilance regarding policies in the United States following the presidential election.

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 1,145,495,000 yen (up 6.3% year on year) in the first half under review.

The Raccoon Group is investing in advertisements in the current fiscal year to increase the SD export service in the Super Delivery segment of the EC business and to increase the number of customers and the visibility of and name recognition for the Paid service in the Paid business. In addition, the Group also invested in advertisements in the first half under review to obtain clients of URIHO in the Guarantee business, which the Group began providing in August 2016. Selling, general and administrative expenses grew year on year due to factors including an increase in personnel expenses caused by fewer transfers from personnel expenses to software in progress, which was attributable to fewer system development projects, an enterprise tax rate hike, and growth in taxes and dues reflecting a change from the lump-sum posting of consumption tax outside the scope of deduction at the end of each fiscal year to its proportional posting in the respective quarters. The Group also recorded impairment losses of 32,777,000 yen associated with the write-down of software in the EC business as an extraordinary loss.

As a result of the above, consolidated operating income amounted to 199,953,000 yen (up 8.9% year on year), consolidated ordinary income reached 195,235,000 yen (up 7.6% year on year), and consolidated net income attributable to owners of parent came to 104,164,000 yen (down 11.0% year on year).

Results by segment are as described below. The Company changed the name of the Accounts Receivable Guarantee business to the Guarantee business in the first half under review. Because this is a change of the segment name, there is no impact on the segment information.

(i) EC business

In the EC business, the Company worked to obtain high-quality member retailers and manufacturers in Super Delivery, the main business, and to increase the value of transactions by continuing to expand transactions between retailers and manufacturers, while improving average customer spending and the operating rate.

With respect to "SD export," a cross-border EC service in which the Company makes active investments in advertisements in the current fiscal year to increase customer numbers, new registrations of member retailers, which were centered on Asia in the past, have changed, so registrations have also been increasing in North America, Oceania and Europe. As a result, the value of transactions is also increasing in North America, Oceania and Europe.

Major management indices for the Super Delivery service at the end of the first half under review are as follows: number of member retailers 61,098 (up 8,726 from the end of the previous fiscal year), number of companies posting information on their products 1,174 (up 36 from the end of the previous fiscal year) and number of items displayed 598,846 (up 39,574 from the end of the previous fiscal year). Although the value of domestic transactions declined 0.2% year on year due to the effect of the warm winter, the value of overseas transactions (the sum of the value of overseas transactions in the SD export service and the value of overseas transactions via the Japanese-language website) increased 61.2% year on year. As a result, the value of overall transactions in the Super Delivery service reached 4,737,605,000 yen in the first half under review (up 2.4% year on year).

The Company continued to focus on increasing the name recognition of COREC and gaining users (suppliers and buyers). As a result, the number of user companies came to 8,215 at the end of the first half under review.

In the meantime, selling, general and administrative expenses grew year on year, reflecting the factors stated above, including an increase in personnel expenses caused by fewer transfers from personnel expenses to software in progress attributable to fewer system development projects, a rise in advertising expenses to increase the number of SD export service customers in the Super Delivery service, an enterprise tax rate hike, and growth in taxes and dues due to a change in the method of posting consumption tax outside the scope of deduction.

Sales in the EC business stood at 785,676,000 yen (up 1.6% year on year), and segment profit was 101,140,000 yen (down 10.5%

year on year).

(ii) Paid business

In the Paid business, the Company maintained its efforts to gain more member companies and increase the operating rate of the acquired member companies. The Company positions the fiscal year ending April 30, 2017 as a period of investment for accelerating future growth. The Company is working to invest aggressively in advertisements and increase manpower to raise the visibility and name recognition of the Paid business and increase the number of member companies. In addition, the Company is investing in systems to make services more convenient and reliable and to raise the operating rate of the acquired member companies. Thanks to these initiatives, the number of member companies exceeded 1,900, and the value of transactions (including transactions within the Group of 3,325,053,000 yen) came to 7,636,920,000 yen (up 22.5% year on year) at the end of the first half under review.

Sales in the Paid business came to 197,885,000 yen (up 20.3% year on year), and segment profit stood at 7,400,000 yen (up 441.5% year on year).

(iii) Guarantee business

In the Guarantee business, the Group continued to strive to expand guaranteed receivables by strengthening the sales force.

On August 2, 2016, the Group launched URIHO, an accounts receivable guarantee business provided entirely online for small companies. URIHO is an accounts receivable guarantee service for small companies with annual sales of 500 million yen or less. In this new service, procedures from an application for service to a request for execution are completed via the Internet, and the usage fee is a consistent monthly rate. The URIHO service does not set a limit on the number of customer companies to which the guarantee is provided. In the first half under review, sales were low due to the effect of “free use for two months,” a service start-up campaign. However, guaranteed receivables have gradually increased, thanks in part to aggressive activities to acquire clients through listing advertisements, etc.

As a result, guarantees outstanding amounted to 9,615,638,000 yen (including guarantees outstanding within the Group of 1,262,455,000 yen), up 5.4% from the end of the previous fiscal year, due to the steady growth of guarantees outstanding in the business rent guarantee service, although guarantees outstanding declined in the accounts receivable guarantee service. Net sales for the Guarantee business came to 355,005,000 yen (up 11.4% year on year).

In the meantime, the cost rate improved from a decline in the value of guarantees performed. As a result, segment profit reached 91,554,000 yen (up 81.8% 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 when this Summary was prepared and certain assumptions that the Company considers rational. Actual results may differ materially from these figures due to many variable factors.

2. Consolidated Financial Statements

(1) Consolidated balance sheets

(Thousand yen)

	End of previous consolidated fiscal year (As of April 30, 2016)	End of second quarter of the consolidated fiscal year under review (As of October 31, 2016)
Assets		
Current assets		
Cash and deposits	1,859,680	1,973,969
Accounts receivable - trade	2,446,812	2,489,892
Rights to claim compensation	57,783	63,042
Supplies	183	107
Merchandise	–	1,624
Prepaid expenses	199,934	151,138
Deferred tax assets	49,643	46,903
Other	7,166	20,959
Allowance for doubtful accounts	(6,042)	(5,287)
Total current assets	4,615,162	4,742,349
Non-current assets		
Property, plant and equipment		
Buildings	20,919	21,802
Accumulated depreciation	(12,134)	(12,811)
Buildings, net	8,785	8,990
Vehicles	1,119	1,119
Accumulated depreciation	(1,119)	(1,119)
Vehicles, net	0	0
Tools, furniture and fixtures	48,267	45,663
Accumulated depreciation	(22,514)	(24,052)
Tools, furniture and fixtures, net	25,752	21,611
Total property, plant and equipment	34,537	30,602
Intangible assets		
Software	196,320	152,972
Software in progress	9,531	12,967
Goodwill	44,550	39,690
Other	1,610	1,840
Total intangible assets	252,012	207,470
Investments and other assets		
Investment securities	25,000	47,008
Lease and guarantee deposits	39,850	39,577
Deferred tax assets	2,460	12,340
Other	62	62
Total investments and other assets	67,373	98,989
Total non-current assets	353,924	337,062
Total assets	4,969,086	5,079,411

(Thousand yen)

	End of previous consolidated fiscal year (As of April 30, 2016)	End of second quarter of the consolidated fiscal year under review (As of October 31, 2016)
Liabilities		
Current liabilities		
Accounts payable - trade	2,047,038	2,178,050
Current portion of long-term loans payable	50,000	50,000
Payables associated with liquidation of receivables	165,000	165,000
Accounts payable - other	45,332	48,552
Income taxes payable	85,303	70,178
Allowance for guarantees	27,275	23,925
Provision for bonuses	39,792	42,057
Provision for sales promotion expenses	6,880	7,990
Deposits received	467,590	453,843
Other	153,637	158,526
Total current liabilities	3,087,850	3,198,124
Non-current liabilities		
Long-term loans payable	75,000	50,000
Asset retirement obligations	2,772	2,789
Other	26,268	25,703
Total non-current liabilities	104,041	78,493
Total liabilities	3,191,891	3,276,617
Net assets		
Shareholders’ equity		
Capital stock	821,382	821,570
Capital surplus	208,854	209,042
Retained earnings	944,462	969,688
Treasury shares	(200,026)	(200,026)
Total shareholders’ equity	1,774,672	1,800,275
Subscription rights to shares	2,522	2,518
Total net assets	1,777,194	1,802,793
Total liabilities and net assets	4,969,086	5,079,411

(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, 2015 to October 31, 2015)	First half of the consolidated fiscal year under review (From May 1, 2016 to October 31, 2016)
Net sales	1,077,669	1,145,495
Cost of sales	187,388	175,710
Gross profit	890,281	969,785
Selling, general and administrative expenses	706,708	769,832
Operating income	183,572	199,953
Non-operating income		
Commission fee	2,538	2,149
Other	1,010	556
Total non-operating income	3,548	2,705
Non-operating expenses		
Interest expenses	1,054	737
Commission fee	501	–
Expenses for liquidation of receivables	3,751	3,460
Loss on investments in partnership	–	2,991
Other	306	232
Total non-operating expenses	5,613	7,422
Ordinary income	181,507	195,235
Extraordinary losses		
Office transfer expenses	–	5,633
Impairment loss	–	32,777
Total extraordinary losses	–	38,410
Income before income taxes	181,507	156,825
Income taxes	64,458	52,661
Net income	117,049	104,164
Net income attributable to owners of parent	117,049	104,164

(Consolidated statements of comprehensive income)

(First half under review)

(Thousand yen)

	First half of the previous consolidated fiscal year (From May 1, 2015 to October 31, 2015)	First half of the consolidated fiscal year under review (From May 1, 2016 to October 31, 2016)
Net income	117,049	104,164
Comprehensive income	117,049	104,164
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	117,049	104,164

(3) Consolidated statements of cash flows

(Thousand yen)

	First half of the previous consolidated fiscal year (From May 1, 2015 to October 31, 2015)	First half of the consolidated fiscal year under review (From May 1, 2016 to October 31, 2016)
Cash flows from operating activities		
Income before income taxes	181,507	156,825
Depreciation	45,593	48,117
Increase (decrease) in allowance for doubtful accounts	(11,351)	(754)
Increase (decrease) in allowance for guarantees	1,927	(3,350)
Interest and dividend income	(162)	(20)
Interest expenses	1,054	737
Impairment loss	–	32,777
Relocation expenses	–	5,633
Loss (gain) on investments in partnership	–	2,991
Decrease (increase) in notes and accounts receivable - trade	(171,949)	(43,080)
Decrease (increase) in rights to claim compensation	(4,070)	(5,259)
Decrease (increase) in inventories	62	(1,547)
Increase (decrease) in notes and accounts payable - trade	164,380	131,011
Increase (decrease) in deposits received	29,651	(13,746)
Increase (decrease) in advances received	27,684	20,844
Decrease (increase) in prepaid expenses	17,017	48,795
Increase (decrease) in accrued consumption taxes	(37,253)	(6,995)
Other	68,949	(12,278)
Subtotal	313,042	360,700
Interest and dividend income received	162	20
Interest expenses paid	(1,027)	(717)
Payments for removal expenses	–	(4,944)
Income taxes paid	(85,749)	(77,389)
Income taxes refund	–	940
Cash flows provided by (used in) operating activities	226,426	278,609
Cash flows from investing activities		
Purchase of property, plant and equipment	(995)	(1,444)
Purchase of intangible assets	(36,634)	(32,323)
Purchase of investment securities	–	(25,000)
Payments for lease and guarantee deposits	(40)	–
Other	–	372
Cash flows provided by (used in) investing activities	(37,670)	(58,395)
Cash flows from financing activities		
Repayments of long-term loans payable	(35,000)	(25,000)
Cash dividends paid	(38,680)	(78,937)
Proceeds from issuance of shares resulting from exercise of subscription rights to shares	17,097	372
Other	(2,709)	(2,922)
Cash flows provided by (used in) financing activities	(59,292)	(106,488)
Net increase (decrease) in cash and cash equivalents	129,464	113,725
Cash and cash equivalents at beginning of period	1,643,885	1,858,349
Cash and cash equivalents at end of period	1,773,349	1,972,075

(Segment information)

Segment information

I. First half of the previous consolidated fiscal year (from May 1, 2015 to October 31, 2015)

1. Sales, profits or losses in each reporting segment

(Thousand yen)

	Reporting segment				Adjustment (Note 1)	Consolidated financial statement amount (Note 2)
	EC	Paid	Guarantee	Total		
Sales						
Sales to external customers	773,436	77,476	226,756	1,077,669	–	1,077,669
Inter-segment sales and transfers	–	87,002	92,050	179,053	(179,053)	–
Total	773,436	164,479	318,806	1,256,723	(179,053)	1,077,669
Segment profit	113,042	1,366	50,350	164,759	18,812	183,572

(Notes) 1. An adjustment of 18,812,000 yen in segment profit is the elimination of inter-segment transactions.
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 half of the consolidated fiscal year under review (from May 1, 2016 to October 31, 2016)

1. Sales, profits or losses in each reporting segment

(Thousand yen)

	Reporting segment				Adjustment (Note 1)	Consolidated financial statement amount (Note 2)
	EC	Paid	Guarantee	Total		
Sales						
Sales to external customers	785,676	111,123	248,694	1,145,495	–	1,145,495
Inter-segment sales and transfers	–	86,761	106,310	193,072	(193,072)	–
Total	785,676	197,885	355,005	1,338,567	(193,072)	1,145,495
Segment profit	101,140	7,400	91,554	200,094	(141)	199,953

(Notes) 1. An adjustment of negative 141,000 yen in segment profit is the elimination of inter-segment transactions.
2. Segment profits are adjusted to operating income in the consolidated statements of income.

2. Items related to the change of reporting segments

(Change of the segment name)

In the first half under review, the Company changed the segment name “Accounts Receivable Guarantee business” to “Guarantee business.” The change of the segment name will have no impact on the segment information.

Reporting segment information in the first half of the previous fiscal year is also presented using the name after the change.

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

(Important impairment losses pertaining to non-current assets)

In the EC business, the Company recognized impairment losses on software whose cash flows from operating activities have been continuously negative. Because these assets are software developed by the Company and are difficult to sell or convert to a different use, the Company evaluated their recoverable amount as zero. The amount of the impairment losses recorded in the first half under review was 32,777,000 yen.