

Summary of Financial Results (Consolidated)
For the First Half of the Fiscal Year Ending April 30, 2018
(Japanese GAAP)

November 29, 2017

Listed company: Raccoon Co., Ltd.

Stock Exchange: Tokyo Stock Exchange

Code: 3031

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Scheduled date of submission of quarterly report: December 14, 2017

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, 2017 (May 1, 2017 through October 31, 2017)

(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, 2017	1,239	8.2	212	6.1	208	6.7	139	34.4
Term ended October 31, 2016	1,145	6.3	199	8.9	195	7.6	104	(11.0)

(Note) Comprehensive income: Term ended October 31, 2017 ¥139 million (34.4%)
Term ended October 31, 2016 ¥104 million (-11.0%)

	Net income per share	Net income per share (diluted)
	Yen	Yen
Term ended October 31, 2017	7.96	7.73
Term ended October 31, 2016	5.94	5.73

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of October 31, 2017	5,666	1,978	34.9	112.07
As of April 30, 2017	5,566	1,907	34.2	108.89

(Reference) Shareholders' equity As of October 31, 2017 ¥1,975 million
As of April 30, 2017 ¥1,905 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, 2017	–	0.00	–	4.50	4.50
Year ending April 30, 2018	–	0.00			
Year ending April 30, 2018 (forecast)			–	–	–

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

(Note) The dividend forecast for the end of the fiscal year ending April 30, 2018 is yet to be determined.

3. Forecast of consolidated results for the fiscal year ending April 30, 2018 (May 1, 2017 through April 30, 2018)

(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	2,550	8.1	490	16.4	485	17.1	300	17.3	17.14

(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

(Note) Please refer to the section (Application of Accounting Treatment Specific to the Preparation of the Quarterly Financial Statements) under (4) Notes to Quarterly Consolidated Financial Statements of 2. Quarterly Consolidated Financial Statements and Major Notes on page 12 of the accompanying materials for details.

(3) Changes in accounting policies 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, 2017	18,501,300	April 30, 2017	18,369,900
(ii) Number of treasury stock shares at the end of the term			
October 31, 2017	870,608	April 30, 2017	870,538
(iii) Average number of issued shares during the term			
October 31, 2017	17,582,119	October 31, 2016	17,545,014

* This financial summary is not subject to the statutory quarterly review.

* 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 forecasts 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 First Half under Review

(1) Explanation of operating results

During the first half of the fiscal year under review (May 1 through October 31, 2017), the Japanese economy continued its modest recovery thanks to factors including improved corporate earnings and employment, which offset the unpredictable outlook for overseas economies caused by uncertainties such as the impact of U.S. policy, the political situation in Europe, and geopolitical risks in Asia.

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 ¥1,239,476 thousand (up 8.2% year on year) in the first half under review.

In terms of expenditure, the Raccoon Group has invested in advertising since the previous fiscal year to increase the visibility, name recognition and number of customers of the SD export service in the Super Delivery segment of the e-commerce (EC) business, the Paid service in the Paid business, and URIHO in the Guarantee business. The Group has also added personnel to improve its marketing capacity, develop systems, etc. in an effort to increase the convenience of the services it provides. For this reason, selling, general, and administrative expenses increased.

As a result, consolidated operating income amounted to ¥212,207 thousand (up 6.1% year on year), consolidated ordinary income reached ¥208,315 thousand (up 6.7% year on year), and consolidated net income attributable to owners of parent came to ¥139,962 thousand (up 34.4% year on year).

Results by segment are as follows:

(i) EC business

Super Delivery, the mainstay business in the EC business, expanded its target from conventional domestic retailers to include overseas businesses as well as domestic businesses other than retailers in response to an increase in demand from these sectors for purchases based on the growth of the business and expansion of the EC market in B-to-B businesses. Currently, therefore, the Company is working to increase the value of transactions by executing a strategy to grow purchase demand in each customer segment, along with a strategy to facilitate transaction growth in an expanding market.

The transaction value grew 3.9% year on year during the first half of the fiscal year under review, partly due to a continuous increase in transactions in industries other than retail in the domestic market and a rise in average customer spending in the retail industry. The value of overseas transactions (the sum of SD export and overseas transactions via the Japanese-language website) continued to rise steadily to achieve an increase of 74.6% year on year. As a result, the value of overall transactions in the Super Delivery service in the second quarter of the fiscal year under review achieved double-digit growth, or 10.3% year on year, and reached ¥5,147,947 thousand (up 8.7% year on year) in the first half of the fiscal year under review.

The main management indices of the Super Delivery service at the end of the second quarter under review were as follows: the number of member retailers was 81,800 (up 11,280 from the end of the previous fiscal year), the number of companies posting information on their products was 1,201 (up 12 from the end of the previous fiscal year), and the number of items displayed was 673,200 (up 35,548 from the end of the previous fiscal year).

The Company continued to work to increase the name recognition of COREC and gain users (suppliers and buyers). As a result, the number of user companies came to 13,750 at the end of the second quarter under review.

In the meantime, selling, general, and administrative expenses grew year on year. This increase largely reflected higher personnel expenses for additional IT engineers and web designers for the purpose of system development to raise the usefulness of each service and improve UI and UX on the service website, in addition to an increase in taxes.

Sales in the EC business stood at ¥834,674 thousand (up 6.2% year on year), and segment profit was ¥98,070 thousand (down 3.0% 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 has been making further investment in growth during the fiscal year ending April 30, 2018, while getting the business on track for growth based on the investment made in the previous fiscal year. During the second quarter of the fiscal year under review, the Company established a business alliance with LIXIL Viva Corporation and launched the operation of a payment scheme that would allow credit purchases (deferred payment) at a hardware store by issuing a “credit sales card.” Thanks to these initiatives, the number of member companies rose to over 2,500 and the value of

transactions (including transactions within the Group of ¥3,412,114 thousand) came to ¥9,162,401 thousand (up 20.0% year on year) at the end of the second quarter of the fiscal year under review.

Sales in the Paid business came to ¥234,697 thousand (up 18.6% year on year), and segment profit stood at ¥21,103 thousand (up 185.2% year on year).

(iii) Guarantee business

In the Guarantee business, the Group continued to work to expand guaranteed receivables by strengthening the sales force. In addition, during the fiscal year ending April 30, 2018, the Company has been implementing effective marketing activities for small- and medium-sized businesses as the targets of URIHO, which commenced in August 2016, to increase the number of clients. Advertising expenses have increased due to these activities.

Guarantees outstanding of all services increased at the end of the second quarter of the fiscal year under review, and as a result, guarantees outstanding (including guarantees outstanding within the Group of ¥1,452,722 thousand) amounted to ¥14,434,812 thousand (up 27.2% from the end of the previous fiscal year).

As a result, sales in the Guarantee business stood at ¥379,076 thousand (up 6.8% year on year) and segment profit reached ¥93,709 thousand (up 2.4% 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 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, 2017)	End of second quarter of the consolidated fiscal year under review (As of October 31, 2017)
Assets		
Current assets		
Cash and deposits	1,994,430	2,319,711
Accounts receivable - trade	2,831,610	2,613,482
Rights to claim compensation	66,050	71,595
Supplies	144	112
Merchandise	3,639	12,406
Prepaid expenses	197,847	136,303
Deferred tax assets	59,917	57,910
Other	28,672	51,767
Allowance for doubtful accounts	(5,813)	(5,470)
Total current assets	5,176,499	5,257,819
Non-current assets		
Property, plant and equipment		
Buildings	21,802	22,122
Accumulated depreciation	(13,545)	(14,225)
Buildings, net	8,256	7,897
Vehicles	1,119	1,119
Accumulated depreciation	(1,119)	(1,119)
Vehicles, net	0	0
Tools, furniture and fixtures	45,663	44,695
Accumulated depreciation	(27,691)	(27,460)
Tools, furniture and fixtures, net	17,972	17,235
Total property, plant and equipment	26,229	25,133
Intangible assets		
Software	161,847	171,945
Software in progress	13,645	7,324
Goodwill	34,830	29,970
Other	2,124	2,431
Total intangible assets	212,447	211,672
Investments and other assets		
Investment securities	97,664	120,982
Lease and guarantee deposits	42,281	43,344
Deferred tax assets	10,891	7,760
Other	62	62
Total investments and other assets	150,900	172,149
Total non-current assets	389,577	408,955
Total assets	5,566,077	5,666,775

(Thousand yen)

	End of previous consolidated fiscal year (As of April 30, 2017)	End of second quarter of the consolidated fiscal year under review (As of October 31, 2017)
Liabilities		
Current liabilities		
Accounts payable - trade	2,599,281	2,606,665
Current portion of long-term loans payable	50,000	50,000
Payables associated with liquidation of receivables	141,000	141,000
Accounts payable - other	59,857	56,370
Income taxes payable	94,114	75,103
Allowance for guarantees	33,153	30,769
Provision for bonuses	40,016	45,847
Provision for sales promotion expenses	8,740	9,340
Deposits received	402,281	443,300
Other	179,840	198,880
Total current liabilities	3,608,286	3,657,277
Non-current liabilities		
Long-term loans payable	25,000	–
Asset retirement obligations	2,805	2,822
Other	22,000	28,452
Total non-current liabilities	49,806	31,275
Total liabilities	3,658,093	3,688,552
Net assets		
Shareholders' equity		
Capital stock	823,392	827,977
Capital surplus	210,864	215,449
Retained earnings	1,121,316	1,182,531
Treasury shares	(250,065)	(250,109)
Total shareholders' equity	1,905,507	1,975,849
Subscription rights to shares	2,476	2,372
Total net assets	1,907,984	1,978,222
Total liabilities and net assets	5,566,077	5,666,775

(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, 2016 to October 31, 2016)	First half of the consolidated fiscal year under review (From May 1, 2017 to October 31, 2017)
Net sales	1,145,495	1,239,476
Cost of sales	175,710	196,863
Gross profit	969,785	1,042,612
Selling, general and administrative expenses	769,832	830,404
Operating income	199,953	212,207
Non-operating income		
Commission fee	2,149	1,786
Other	556	881
Total non-operating income	2,705	2,667
Non-operating expenses		
Interest expenses	737	487
Expenses for liquidation of receivables	3,460	2,765
Loss on investments in partnership	2,991	1,582
Taxes and dues	–	1,330
Other	232	394
Total non-operating expenses	7,422	6,559
Ordinary income	195,235	208,315
Extraordinary losses		
Office transfer expenses	5,633	–
Impairment loss	32,777	–
Total extraordinary losses	38,410	–
Income before income taxes	156,825	208,315
Income taxes	52,661	68,352
Net income	104,164	139,962
Net income attributable to owners of parent	104,164	139,962

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

(Thousand yen)

	First half of the previous consolidated fiscal year (From May 1, 2016 to October 31, 2016)	First half of the consolidated fiscal year under review (From May 1, 2017 to October 31, 2017)
Net income	104,164	139,962
Comprehensive income	104,164	139,962
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	104,164	139,962

(3) Consolidated statements of cash flows

(Thousand yen)

	First half of the previous consolidated fiscal year (From May 1, 2016 to October 31, 2016)	First half of the consolidated fiscal year under review (From May 1, 2017 to October 31, 2017)
Cash flows from operating activities		
Income before income taxes	156,825	208,315
Depreciation	48,117	40,033
Increase (decrease) in allowance for doubtful accounts	(754)	(342)
Increase (decrease) in allowance for guarantees	(3,350)	(2,383)
Interest and dividend income	(20)	(13)
Interest expenses	737	487
Impairment loss	32,777	–
Relocation expenses	5,633	–
Loss (gain) on investments in partnership	2,991	1,582
Decrease (increase) in notes and accounts receivable - trade	(43,080)	218,128
Decrease (increase) in rights to claim compensation	(5,259)	(5,544)
Decrease (increase) in inventories	(1,547)	(8,735)
Increase (decrease) in notes and accounts payable - trade	131,011	7,384
Increase (decrease) in deposits received	(13,746)	41,018
Increase (decrease) in advances received	20,844	31,613
Decrease (increase) in prepaid expenses	48,795	61,543
Increase (decrease) in accrued consumption taxes	(6,995)	(2,499)
Other	(12,278)	(28,075)
Subtotal	360,700	562,512
Interest and dividend income received	20	13
Interest expenses paid	(717)	(468)
Payments for removal expenses	(4,944)	–
Income taxes paid	(76,449)	(77,933)
Cash flows provided by (used in) operating activities	278,609	484,124
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,444)	(320)
Purchase of intangible assets	(32,323)	(34,554)
Purchase of investment securities	(25,000)	(25,000)
Payments for lease and guarantee deposits	–	(1,063)
Other	372	(275)
Cash flows provided by (used in) investing activities	(58,395)	(61,212)
Cash flows from financing activities		
Repayments of long-term loans payable	(25,000)	(25,000)
Cash dividends paid	(78,937)	(78,747)
Proceeds from issuance of shares resulting from exercise of subscription rights to shares	372	9,066
Purchase of treasury shares	–	(43)
Other	(2,922)	(2,990)
Cash flows provided by (used in) financing activities	(106,488)	(97,714)
Net increase (decrease) in cash and cash equivalents	113,725	325,197
Cash and cash equivalents at beginning of period	1,858,349	1,992,746
Cash and cash equivalents at end of period	1,972,075	2,317,944

(Segment information)

Segment information

I. First half of the previous consolidated fiscal year (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 (Notes 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 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.

II. First half of the consolidated fiscal year under review (from May 1, 2017 to October 31, 2017)

1. Sales, profits or losses in each reporting segment

(Thousand yen)

	Reporting segment				Adjustment (Note 1)	Consolidated financial statement amount (Notes 2)
	EC	Paid	Guarantee	Total		
Sales						
Sales to external customers	834,674	145,909	258,892	1,239,476	–	1,239,476
Inter-segment sales and transfers	–	88,788	120,184	208,972	(208,972)	–
Total	834,674	234,697	379,076	1,448,448	(208,972)	1,239,476
Segment profit	98,070	21,103	93,709	212,883	(676)	212,207

(Notes) 1. An adjustment of negative 676,000 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