

Summary of Financial Results (Consolidated)
for the First Three Quarters of the Fiscal Year Ending April 30, 2018
(Japanese GAAP)

February 26, 2018

Listed company: Raccoon Co., Ltd.

Stock Exchange: Tokyo Stock Exchange

Code: 3031

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Scheduled date of submission of quarterly report: March 15, 2018

Scheduled date of commencement of dividend payment: –

Supplementary documents for quarterly financial results: Yes

Quarterly financial results briefing: No

(Rounded down to the nearest million yen)

1. Consolidated results for the first nine months ended January 31, 2018 (May 1, 2017 through January 31, 2018)

(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 January 31, 2018	1,887	8.2	334	5.3	329	5.7	221	21.2
Term ended January 31, 2017	1,743	6.2	317	13.2	312	12.5	182	2.4

(Note) Comprehensive income: Term ended January 31, 2018 ¥221 million (21.2%)

Term ended January 31, 2017 ¥182 million (2.4%)

	Net income per share		Net income per share (diluted)	
	Yen		Yen	
Term ended January 31, 2018	12.56		12.20	
Term ended January 31, 2017	10.39		10.03	

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio		Net assets per share	
	Million yen		Million yen		%		Yen	
As of January 31, 2018	5,409		2,059		38.0		116.64	
As of April 30, 2017	5,566		1,907		34.2		108.89	

(Reference) Shareholders' equity As of January 31, 2018 ¥2,057 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
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

(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

January 31, 2018	18,510,300	April 30, 2017	18,369,900
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(ii) Number of treasury stock shares at the end of the term

January 31, 2018	870,656	April 30, 2017	870,538
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(iii) Average number of issued shares during the term

January 31, 2018	17,599,812	January 31, 2017	17,545,730
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* 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 Three Quarters 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 Three Quarters under Review

(1) Explanation of operating results

During the first three quarters under review (May 1, 2017 through January 31, 2018), the Japanese economy showed signs of a gradual pickup in consumer spending amid continued improvements in the employment and income conditions based on the moderate recovery trend of corporate earnings against the backdrop of the government's monetary and economic policies. Overseas economies gradually recovered, but continued to require close attention to their trends, given the geopolitical risk in Asia and the effects of uncertainties regarding the policies in the United States and Europe and changes in the 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 1,887,079,000 yen (up 8.2% year on year) in the first three quarters 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 334,363,000 yen (up 5.3% year on year), consolidated ordinary income reached 329,830,000 yen (up 5.7% year on year), and consolidated net income attributable to owners of parent came to 221,021,000 yen (up 21.2% year on year).

(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 3.3% year on year during the first three quarters under review as a result of positive year-on-year growth in the transaction value in the retail industry in the domestic market, in addition to a continued rise in transactions in industries other than retail. The value of overseas transactions (the sum of SD exports and overseas transactions via the Japanese-language website) continued to increase steadily, and rose 77.6% year on year thanks to efforts such as strengthened advertising to attract more local customers in North America, Europe and Oceania, in addition to the introduction of inexpensive airmail to these regions in SD export in December 2017. As a result, the value of overall transactions in the Super Delivery service in the first three quarters under review came to ¥7,852,520 thousand (up 8.4% year on year).

The main management indices of the Super Delivery service at the end of the third quarter under review were as follows: the number of member retailers was 89,212 (up 18,692 from the end of the previous fiscal year), the number of companies posting information on their products was 1,206 (up 17 from the end of the previous fiscal year), and the number of items displayed was 678,468 (up 40,816 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 14,892 at the end of the third quarter under review. In addition, on December 8, 2017, the Company acquired a patent for the automated portion in a series of steps for converting information on orders placed by buyers in the COREC system into data for other order placement methods such as fax and email.

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.

Sales in the EC business stood at 1,263,834,000 yen (up 5.8% year on year), and segment profit was 161,237,000 yen (down 4.1% 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. In the third quarter of the current fiscal year, the Company began introducing credit examinations by AI. This has enabled the Company to make a detailed credit decision instantly for each client company (Paid member) of member companies and grant the spending limit flexibly according to the creditworthiness of each company. Thanks to these initiatives, the number of member companies rose to over 2,600 and the value of transactions (including transactions within the Group of 5,167,533,000 yen) came to 14,023,057,000 yen (up 17.1% year on year) at the end of the third quarter of the fiscal year under review.

Sales in the Paid business came to 357,788,000 yen (up 15.7% year on year), and segment profit stood at 34,061,000 yen (up 101.1% 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 third quarter of the fiscal year under review, and as a result, guarantees outstanding (including guarantees outstanding within the Group of 1,422,739,000 yen) amounted to 15,986,568,000 yen (up 40.9% from the end of the previous fiscal year).

As a result, sales in the Guarantee business stood at 585,277,000 yen (up 8.7% year on year) and segment profit reached 142,900,000 yen (up 5.9% 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 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 third quarter of the consolidated fiscal year under review (As of January 31, 2018)
Assets		
Current assets		
Cash and deposits	1,994,430	2,244,858
Accounts receivable - trade	2,831,610	2,437,759
Rights to claim compensation	66,050	70,222
Supplies	144	132
Merchandise	3,639	12,805
Prepaid expenses	197,847	127,460
Deferred tax assets	59,917	52,354
Other	28,672	64,270
Allowance for doubtful accounts	(5,813)	(5,289)
Total current assets	5,176,499	5,004,574
Non-current assets		
Property, plant and equipment		
Buildings	21,802	22,122
Accumulated depreciation	(13,545)	(14,564)
Buildings, net	8,256	7,558
Vehicles	1,119	-
Accumulated depreciation	(1,119)	-
Vehicles, net	0	-
Tools, furniture and fixtures	45,663	44,695
Accumulated depreciation	(27,691)	(29,344)
Tools, furniture and fixtures, net	17,972	15,351
Total property, plant and equipment	26,229	22,909
Intangible assets		
Software	161,847	169,025
Software in progress	13,645	12,086
Goodwill	34,830	27,540
Other	2,124	2,949
Total intangible assets	212,447	211,602
Investments and other assets		
Investment securities	97,664	120,982
Lease and guarantee deposits	42,281	43,344
Deferred tax assets	10,891	6,153
Other	62	50
Total investments and other assets	150,900	170,529
Total non-current assets	389,577	405,041
Total assets	5,566,077	5,409,616

(Thousand yen)

	End of previous consolidated fiscal year (As of April 30, 2017)	End of third quarter of the consolidated fiscal year under review (As of January 31, 2018)
Liabilities		
Current liabilities		
Accounts payable - trade	2,599,281	2,307,357
Current portion of long-term loans payable	50,000	37,500
Payables associated with liquidation of receivables	141,000	141,000
Accounts payable - other	59,857	50,930
Income taxes payable	94,114	35,332
Allowance for guarantees	33,153	27,076
Provision for bonuses	40,016	19,983
Provision for sales promotion expenses	8,740	9,400
Deposits received	402,281	500,753
Other	179,840	190,798
Total current liabilities	3,608,286	3,320,133
Non-current liabilities		
Long-term loans payable	25,000	–
Asset retirement obligations	2,805	2,830
Other	22,000	26,783
Total non-current liabilities	49,806	29,614
Total liabilities	3,658,093	3,349,747
Net assets		
Shareholders' equity		
Capital stock	823,392	828,291
Capital surplus	210,864	215,763
Retained earnings	1,121,316	1,263,590
Treasury shares	(250,065)	(250,143)
Total shareholders' equity	1,905,507	2,057,502
Subscription rights to shares	2,476	2,365
Total net assets	1,907,984	2,059,868
Total liabilities and net assets	5,566,077	5,409,616

(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, 2016 to January 31, 2017)	First three quarters of the consolidated fiscal year under review (From May 1, 2017 to January 31, 2018)
Net sales	1,743,886	1,887,079
Cost of sales	268,978	303,794
Gross profit	1,474,908	1,583,285
Selling, general and administrative expenses	1,157,292	1,248,921
Operating income	317,615	334,363
Non-operating income		
Commission fee	3,006	2,588
Other	745	941
Total non-operating income	3,752	3,530
Non-operating expenses		
Interest expenses	1,121	683
Expenses for liquidation of receivables	4,990	4,016
Loss on investments in partnership	2,991	1,582
Taxes and dues	–	1,330
Other	232	450
Total non-operating expenses	9,335	8,063
Ordinary income	312,032	329,830
Extraordinary losses		
Office transfer expenses	5,625	–
Impairment loss	32,777	–
Total extraordinary losses	38,402	–
Income before income taxes	273,630	329,830
Income taxes	91,324	108,809
Net income	182,305	221,021
Net income attributable to owners of parent	182,305	221,021

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

(Thousand yen)

	First three quarters of the previous consolidated fiscal year (From May 1, 2016 to January 31, 2017)	First three quarters of the consolidated fiscal year under review (From May 1, 2017 to January 31, 2018)
Net income	182,305	221,021
Comprehensive income	182,305	221,021
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	182,305	221,021

(Segment information)

Segment information

I. First three quarters of the previous consolidated fiscal year (from May 1, 2016 to January 31, 2017)

1. Sales, profits or losses in each reporting segment

(Thousand yen)

	Reporting segment				Adjustment (Note 1)	Consolidated statements of income amount (Note 2)
	EC	Paid	Guarantee	Total		
Sales						
Sales to external customers	1,194,986	177,142	371,757	1,743,886	–	1,743,886
Inter-segment sales and transfers	–	132,101	166,429	298,531	(298,531)	–
Total	1,194,986	309,243	538,187	2,042,417	(298,531)	1,743,886
Segment profit	168,198	16,940	134,932	320,071	(2,455)	317,615

(Notes) 1. An adjustment of negative 2,455,000 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 three quarters under review was 32,777,000 yen.

II. First three quarters of the consolidated fiscal year under review (from May 1, 2017 to January 31, 2018)

1. Sales, profits or losses in each reporting segment

(Thousand yen)

	Reporting segment				Adjustment (Note 1)	Consolidated statements of income amount (Note 2)
	EC	Paid	Guarantee	Total		
Sales						
Sales to external customers	1,263,834	223,312	399,932	1,887,079	–	1,887,079
Inter-segment sales and transfers	–	134,475	185,344	319,820	(319,820)	–
Total	1,263,834	357,788	585,277	2,206,899	(319,820)	1,887,079
Segment profit	161,237	34,061	142,900	338,198	(3,835)	334,363

(Notes) 1. An adjustment of negative 3,835,000 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