# Summary of Financial Results (Consolidated)
# For the First Three Quarters of the Fiscal Year Ending April 30, 2019
# (Japanese GAAP)

March 6, 2019

Listed company: Raccoon Holdings, Inc. Stock Exchange: Tokyo Stock Exchange
Code: 3031 URL: http://www.raccoon.ne.jp/
Representative: President & Representative Director, Isao Ogata
Contact: Executive Vice President of Finance & Director, Satoshi Konno Tel. +81-3-5652-1711
Scheduled date of submission of quarterly report: March 14, 2019
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, 2019 (May 1, 2018 through January 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 January 31, 2019 | 2,162 | 14.6 | 465 | 17.7 | 393 | 17.8 | 389 | 17.9 | 237 | 7.5 |
| Term ended January 31, 2018 | 1,887 | 8.2 | 395 | 2.4 | 334 | 5.3 | 329 | 5.7 | 221 | 21.2 |

(Note) Comprehensive income: Term ended January 31, 2019 ¥237 million (7.5%)
Term ended January 31, 2018 ¥221 million (21.2%)

(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 January 31, 2019 | 13.25 | 13.03 |
| Term ended January 31, 2018 | 12.56 | 12.20 |

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|---|---|---|---|---|
| | Million yen | Million yen | % | Yen |
| As of January 31, 2019 | 7,082 | 2,444 | 34.4 | 133.96 |
| As of April 30, 2018 | 6,056 | 2,133 | 35.2 | 119.67 |

(Reference) Shareholders' equity As of January 31, 2019 ¥2,435 million
As of April 30, 2018 ¥2,131 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, 2018 | – | 0.00 | – | 5.20 | 5.20 |
| Year ending April 30, 2019 | – | 0.00 | | | |
| Year ending April 30, 2019 (forecast) | | | – | – | – |

(Note) Revisions to dividend forecasts published most recently: None
(Note) The dividend forecast for the end of the fiscal year ending April 30, 2019 is yet to be determined.

3. Forecast of consolidated results for the fiscal year ending April 30, 2019 (May 1, 2018 through April 30, 2019)

(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 | 2,980 | 17.0 | 545 | 24.5 | 540 | 25.1 | 333 | 17.7 | 18.58 |

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

* Notes

(1) Important changes in subsidiaries during the term (changes in specified subsidiaries resulting in change in the scope of consolidation): Yes

1 new company (Company name) RACCOON COMMERCE, Inc.

(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

| | | | |
|---|---|---|---|
| January 31, 2019 | 18,797,400 | April 30, 2018 | 18,680,400 |

(ii) Number of treasury stock shares at the end of the term

| | | | |
|---|---|---|---|
| January 31, 2019 | 620,657 | April 30, 2018 | 870,656 |

(iii) Average number of issued shares during the term

| | | | |
|---|---|---|---|
| January 31, 2019 | 17,923,199 | January 31, 2018 | 17,599,812 |

*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 Three Quarters under Review, (2) Explanation of forecasts including consolidated results forecasts on page 5.

## ○ Contents of Accompanying Materials

## 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, 2018 through January 31, 2019), the Japanese economy continued with a modest recovery trend despite the impact of a series of natural disasters including typhoons and earthquakes. On the other hand, overseas economies continued to have an unpredictable outlook due to the U.S.-China trade friction as well as the U.S. trade policies and the uncertainty of Brexit in Europe.

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. On the other hand, it made a transition to a holding company structure in the first three quarters under review. It plans to accelerate the growth speed of existing businesses through the transition as well as achieve strong growth of sales and profits of the entire group by proactively creating new businesses and conducting M&As.

The Raccoon Group acquired all the shares of ALEMO Inc., which offers rent guarantee services mainly for residential properties for individuals, on December 7, 2018 and made it its subsidiary. It incorporated the business performance with September 30, 2018 as the deemed acquisition date. As a result, consolidated net sales amounted to 2,162,495,000 yen (up 14.6% year on year) in the first three quarters under review.

In terms of expenditure, brokerage fees of 26,407,000 yen was recorded as temporary expenses related to the acquisition of the shares of ALEMO Inc. amortization of goodwill associated with the incurrence of the said goodwill of 10,927,000 yen was recorded, resulting in an increase in amortization of goodwill. As a result, selling, general and administrative expenses increased 8.1% year on year, consolidated operating income amounted to 393,894,000 yen (up 17.8% year on year) and consolidated ordinary income amounted to 389,002,000 yen (up 17.9% year on year). Furthermore, expenses for reorganization related to the transition to holding company structure of 18,648,000 yen was recorded as extraordinary losses, resulting in consolidated net income attributable to owners of parent of 237,559,000 yen (up 7.5% year on year). In addition, as described in the “Notice Concerning Future Management Policy” announced on November 1, 2018, the Company has newly adopted EBITDA as the key performance indicator starting from the first two quarters of the fiscal year under review. EBITDA for the first three quarters under review stood at 465,071,000 yen (up 17.7% year on year).

As described in the “Notice Concerning Change in Reporting Segments” (Japanese only) announced on June 8, 2018, the Paid business and the Guarantee business were consolidated and positioned in the same reporting segment category as the Financial business. In line with this change, year-on-year comparison is presented using figures which we have modified the figures in the respective period to suit the segment after the change. For the details of the change, please refer to “2. Quarterly Consolidated Financial Statements and Major Notes, (Segment information).

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 domestic businesses other than retailers and overseas businesses in response to an increase in demand from these sectors for purchases based on the growth of the business and the expansion of the EC market in the B-to-B businesses. Currently, therefore, the Company is working to increase the value of transactions by executing a strategy for growing purchase demand in each customer segment, along with a strategy for facilitating transaction growth in an expanding market. In the third quarter of the fiscal year under review, the number of purchasers increased steadily as a result of making various efforts such as distributing coupons with an aim to increase the number of new purchasers.

During the first three quarters under review, the transaction value in industries other than retail in the domestic market continued to rise. As a result, the transaction value in the retail industry in the domestic market showed a positive year-on-year growth during the third quarter of the fiscal year under review but the overall transaction value in the domestic market decreased 0.6% year on year during the first three quarters under review. The value of overseas transactions (the sum of SD exports and overseas transactions via the Japanese-language website) increased 43.6% year on year due to continuous steady increase of transaction value.  As a result, the total value of transactions in the Super Delivery service reached 8,200,036,000 yen (up 4.4% year on year).

At the end of the third quarter of the fiscal year under review, concerning the Super Delivery service, the number of member retailers was 118,943 (up 21,743 from the end of the previous fiscal year), the number of companies posting information on their products was 1,369 (up 97 from the end of the previous fiscal year), and the number of items displayed was 822,403 (up 110,770 from the end of the previous fiscal year).

As a result, sales in the EC business stood at 1,296,866,000 yen (up 2.6% year on year), and segment profit was 517,927,000 yen (up 8.8% year on year).

(ii) Financial business

In Paid, the Company made efforts to increase the operating rate of the acquired member companies. In the third quarter of the fiscal year under review, the Company made efforts to improve convenience by launching “Paid Settlement” corresponding to long-term deferred payment in “Aperza e-commerce”, which is a mall-type EC site specializing in production goods, from November 15, 2018 as well as making “Paid” available for 24 hours a day and 365 days a year from January 16, 2019 with the automation of payment confirmation system and also immediately reflecting the usage limit amount of the members. The number of member companies rose to over 3,200 and the value of transactions outside the Group increased steadily to 11,835,586, 000 yen (up 33.7% year on year) at the end of the third quarter of the fiscal year under review. As a result, the overall value of transactions (including 4,964,604,000 yen of transactions within the Group) came to 16,800,190,000 yen (up 19.9% year on year).

In Guarantee, the Company continued to press ahead with business collaborations with local financial institutions in the T&G Credit Guarantee service and URIHO to expand sales channel. On the other hand, rent guarantee services for residences was newly added by acquiring all the shares of ALEMO Inc., which offers rent guarantee services mainly for residential properties for individuals, on December 7, 2018 and making it a subsidiary. Provision of rent guarantee services for both residential and business properties became possible. Therefore, guarantees outstanding of ALEMO Inc. have been included in guarantees outstanding at the end of the third quarter of the fiscal year under review, and guarantees outstanding amounted to 59,852,084,000 yen (19,874,875,000 yen for RACCOON FINANCIAL, Inc. and 39,977,208,000 yen for ALEMO Inc.) (up 258.7% from the end of the previous fiscal year).

As a result, sales amounted to 994,833,000 yen (up 31.3% year on year). Furthermore, brokerage fees of 26,407,000 yen was recorded as temporary expenses related to the acquisition of the shares of ALEMO Inc. in selling, general and administrative expenses in the financial business. In addition, amortization of goodwill associated with the incurrence of the said goodwill of 10,927,000 yen was recorded, resulting in an increase in amortization of goodwill, and segment profit amounted to 97,011,000 yen (up 36.2% year on year).

(2) Explanation of forecasts including consolidated results forecasts

Full-year financial results forecast for the fiscal year ending April 2019 announced on June 8, 2018 has been revised as follows by taking into account the status of progress in the financial results for the first three quarters under review. For details, please refer to “Notice Concerning Revisions to Financial Forecasts” separately announced.

## 2. Quarterly Consolidated Financial Statements and Major Notes

### (1) Consolidated balance sheets

(Thousand yen)

| | End of previous consolidated fiscal year (As of April 30, 2018) | End of third quarter of the consolidated fiscal year under review (As of January 31, 2019) |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 2,158,811 | 2,823,439 |
| Accounts receivable - trade | 3,122,333 | 3,264,156 |
| Rights to claim compensation | 72,394 | 20,656 |
| Supplies | 123 | 224 |
| Merchandise | 13,380 | 5,147 |
| Prepaid expenses | 158,102 | 127,264 |
| Other | 62,719 | 78,044 |
| Allowance for doubtful accounts | (6,942) | (186,090) |
| Total current assets | 5,580,923 | 6,132,842 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings | 22,122 | 29,559 |
| Accumulated depreciation | (14,904) | (16,480) |
| Buildings, net | 7,218 | 13,079 |
| Vehicles | — | 3,537 |
| Accumulated depreciation | — | (3,537) |
| Vehicles, net | — | 0 |
| Tools, furniture and fixtures | 44,695 | 47,358 |
| Accumulated depreciation | (31,229) | (37,283) |
| Tools, furniture and fixtures, net | 13,466 | 10,075 |
| Construction in progress | — | 145,156 |
| Total property, plant and equipment | 20,685 | 168,310 |
| Intangible assets | | |
| Software | 162,393 | 173,627 |
| Software in progress | 20,333 | 15,994 |
| Goodwill | 25,110 | 334,706 |
| Other | 2,857 | 2,580 |
| Total intangible assets | 210,693 | 526,907 |
| Investments and other assets | | |
| Investment securities | 120,051 | 122,865 |
| Lease and guarantee deposits | 43,304 | 47,520 |
| Deferred tax assets | 81,064 | 74,184 |
| Other | 50 | 10,051 |
| Total investments and other assets | 244,470 | 254,620 |
| Total non-current assets | 475,849 | 949,838 |
| Total assets | 6,056,772 | 7,082,681 |

(Thousand yen)

| | End of previous consolidated fiscal year (As of April 30, 2018) | End of third quarter of the consolidated fiscal year under review (As of January 31, 2019) |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 2,863,899 | 2,991,277 |
| Current portion of long-term loans payable | 25,000 | 166,664 |
| Payables associated with liquidation of receivables | 141,000 | 132,000 |
| Accounts payable - other | 47,743 | 51,295 |
| Income taxes payable | 95,197 | 58,545 |
| Allowance for guarantees | 45,299 | 81,804 |
| Provision for bonuses | 43,371 | 26,653 |
| Provision for sales promotion expenses | 9,950 | 8,010 |
| Deposits received | 408,970 | 490,292 |
| Other | 204,894 | 326,015 |
| Total current liabilities | 3,885,326 | 4,332,557 |
| Non-current liabilities | | |
| Long-term loans payable | — | 250,004 |
| Asset retirement obligations | 2,838 | 5,522 |
| Other | 35,102 | 50,589 |
| Total non-current liabilities | 37,941 | 306,115 |
| Total liabilities | 3,923,267 | 4,638,673 |
| Net assets | | |
| Shareholders’ equity | | |
| Capital stock | 834,227 | 838,310 |
| Capital surplus | 221,699 | 304,568 |
| Retained earnings | 1,325,490 | 1,470,439 |
| Treasury shares | (250,143) | (178,317) |
| Total shareholders’ equity | 2,131,273 | 2,435,000 |
| Subscription rights to shares | 2,231 | 9,007 |
| Total net assets | 2,133,504 | 2,444,007 |
| Total liabilities and net assets | 6,056,772 | 7,082,681 |

(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, 2017 to January 31, 2018) | First three quarters of the consolidated fiscal year under review (From May 1, 2018 to January 31, 2019) |
|---|---|---|
| Net sales | 1,887,079 | 2,162,495 |
| Cost of sales | 303,794 | 418,268 |
| Gross profit | 1,583,285 | 1,744,226 |
| Selling, general and administrative expenses | 1,248,921 | 1,350,332 |
| Operating income | 334,363 | 393,894 |
| Non-operating income | | |
| Commission fee | 2,588 | 2,170 |
| Gain on investments in partnership | — | 2,913 |
| Other | 941 | 1,096 |
| Total non-operating income | 3,530 | 6,179 |
| Non-operating expenses | | |
| Interest expenses | 683 | 937 |
| Expenses for liquidation of receivables | 4,016 | 3,967 |
| Commission fee | — | 234 |
| Loss on investments in partnership | 1,582 | — |
| Issuance cost of subscription rights to shares | — | 5,615 |
| Taxes and dues | 1,330 | — |
| Other | 450 | 317 |
| Total non-operating expenses | 8,063 | 11,071 |
| Ordinary income | 329,830 | 389,002 |
| Extraordinary losses | | |
| Reorganization-related expenses | — | 18,648 |
| Total extraordinary losses | — | 18,648 |
| Income before income taxes | 329,830 | 370,353 |
| Income taxes | 108,809 | 132,794 |
| Net income | 221,021 | 237,559 |
| Net income attributable to owners of parent | 221,021 | 237,559 |

(Consolidated statements of comprehensive income)

(First three quarters under review)

(Thousand yen)

| | First three quarters of the previous consolidated fiscal year (From May 1, 2017 to January 31, 2018) | First three quarters of the consolidated fiscal year under review (From May 1, 2018 to January 31, 2019) |
|---|---|---|
| Net income | 221,021 | 237,559 |
| Comprehensive income | 221,021 | 237,559 |
| (Comprehensive income attributable to) | | |
| Comprehensive income attributable to owners of parent | 221,021 | 237,559 |

(Segment information)

Segment information

I. First three quarters of the previous consolidated fiscal year (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 financial statement amount (Notes 2) |
|---|---|---|---|---|---|
| | EC | Financial | Total | | |
| Sales | | | | | |
| Sales to external customers | 1,263,834 | 623,245 | 1,887,079 | – | 1,887,079 |
| Inter-segment sales and transfers | – | 134,194 | 134,194 | (134,194) | – |
| Total | 1,263,834 | 757,439 | 2,021,274 | (134,194) | 1,887,079 |
| Segment profits | 475,917 | 71,205 | 547,122 | (212,758) | 334,363 |

(Notes) 1. The segment profit adjustment of minus 212,758,000 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 three quarters of the consolidated fiscal year under review (from May 1, 2018 to January 31, 2019)

1. Sales, 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 | 1,296,866 | 865,629 | 2,162,495 | – | 2,162,495 |
| Inter-segment sales and transfers | – | 129,203 | 129,203 | (129,203) | – |
| Total | 1,296,866 | 994,833 | 2,291,699 | (129,203) | 2,162,495 |
| Segment profit | 517,927 | 97,011 | 614,939 | (221,045) | 393,894 |

(Notes) 1. The segment profit adjustment of minus 221,045,000 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 change in reporting segments

(Change in reporting segment category and calculation method in line with structural transition to a holding company)

The Company incorporated a holding-company structure effective on November 1, 2018. Due to the transition, the Paid business and the Guarantee business, which were separate reporting segments, are consolidated to one segment with a new name “Financial business” from the first quarter, considering their strong relevance as well as the change in the Group management environment represented by the structural transition to a holding company. Furthermore, the amounts for ALEMO Inc. which became a new consolidated subsidiary in the third quarter of the fiscal year under review are recorded in “Financial business”.

In addition, the Company has changed the treatment of company-wide expenses pertaining to the group operation, which was previously included in the EC business, to record as expenses under adjustment of segment profit. In tandem with such, the Company has started to collect management consulting fees, etc. appropriate for the organizational structure after the transition to a holding company, from each reporting segment. Management consulting fees, etc. are recorded as expenses in each segment, and recorded as company-wide revenues in adjustment of segment profit. Therefore, in comparison with the past treatment, segment profit for the EC business has increased while that for the Financial business has decreased. Furthermore, the amount of adjustment, which is deducted from the total amount of profit for reporting segments, has increased.

The disclosed segment information for the first three quarters of the previous consolidated fiscal year is prepared based on the reporting segment category and calculation method after the change.

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

(Significant changes in amount of goodwill)

In the “Financial business” segment, the Company acquired all the shares of ALEMO Inc. on December 7, 2018 and made it its consolidated subsidiary.

Furthermore, the increased amount of goodwill by the said event was 327,813,000 yen in the third quarter of the fiscal year under review.