

Summary of Financial Results (Consolidated)
For the Second Quarter of Fiscal Year Ending April 30, 2023
(Japanese GAAP)

November 30, 2022

Listed company: Raccoon Holdings, Inc.

Stock Exchange: Tokyo Stock Exchange

Code: 3031

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Scheduled date of submission of quarterly report: December 15, 2022

Scheduled date of commencement of dividend payment: January 10, 2023

Supplementary documents for quarterly financial results: Yes

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

(Rounded down to the nearest million yen)

1. Consolidated results for the second quarter of fiscal year ending April 30, 2023 (May 1, 2022 through October 31, 2022)

(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	%
Second quarter of fiscal year ending April 30, 2023	2,582	12.5	664	15.8	607	20.4	629	27.0	383	-
Second quarter of fiscal year ended April 30, 2022	2,295	6.8	573	(22.1)	504	(23.9)	495	(25.2)	(2)	-

(Note) Comprehensive income Second quarter of fiscal year ending April 30, 2023 ¥383 million (-%)

Second quarter of fiscal year ended April 30, 2022 ¥(2) million (-%)

(Note) EBITDA = Operating income + Depreciation + Amortization of goodwill (+ Equity in earnings of affiliates)

	Net income per share	Net income per share (diluted)
	Yen	Yen
Second quarter of fiscal year ending April 30, 2023	17.33	17.25
Second quarter of fiscal year ended April 30, 2022	(0.12)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of October 31, 2022	14,354	5,316	36.4	236.65
As of April 30, 2022	14,060	5,364	37.6	238.12

(Reference) Shareholders' equity As of October 31, 2022 ¥5,225 million

As of April 30, 2022 ¥5,289 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, 2022	-	10.00	-	10.00	20.00
Fiscal year ending April 30, 2023	-	9.00	-	-	-
Fiscal year ending April 30, 2023 (forecast)	-	-	-	9.00	18.00

(Notes) Revisions to dividend forecasts announced most recently: None

3. Forecast of consolidated results for the fiscal year ending April 30, 2023 (May 1, 2022 through April 30, 2023)

(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
Full year	5,500	14.8	1,450	14.3	1,300	15.4	1,300	14.5	810	128.4	36.76

(Notes) Revisions to financial forecasts announced most recently: None

* Notes

(1) Important changes in subsidiaries during the quarter under review (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.: Yes

(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

October 31, 2022	22,221,243	April 30, 2022	22,361,043
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(ii) Number of treasury stock shares at the end of the quarter

October 31, 2022	138,716	April 30, 2022	147,616
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(iii) Average number of issued shares during the quarter

Second quarter ended October 31, 2022	22,104,688	Second quarter ended October 31, 2021	22,208,713
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*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 on forecasts including consolidated results forecasts” on page 6 of the accompanying materials.

(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) shortly.

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1. Qualitative Information on Results for the Quarter under Review

(1) Explanation on operating results

During the second quarter under review (May 1, 2022 through October 31, 2022), amid the prolonged novel coronavirus (COVID-19) pandemic, the Japanese economy strove to achieve a balance between the prevention of the spread of the COVID-19 infection and socioeconomic activities through relaxation of restrictions on activities and entry into Japan, and expectations of a recovery in corporate activities rose. However, the outlook remains uncertain, affected by surging crude oil prices, the rapid weakening of the yen and escalating prices of commodities.

Under such circumstances, the Raccoon Group has promoted a new Mid-term Management Plan beginning from this fiscal year under review with its theme of “From breadth to depth: sustainable business growth by improving LTV.” We will strive for sustainable business growth by concentrating investment into existing businesses and increasing life time value (LTV) to develop increased membership in the midst of COVID-19 into a solid customer base. The second quarter under review saw the rapid spread of COVID-19 infections during the seventh wave, as well as concerns about the impact on the recovery of economic activities due to a decline in consumer willingness to spend as a result of soaring prices. However, since the seventh wave passed, the relaxation of restrictions on the entry of foreigners to Japan and the start of a national travel subsidy program have reignited economic activities, and corporate activities by companies that use the Company’s services improved. Consequently, both the EC business and the Financial business continued to achieve double-digit growth. As a result, consolidated net sales for the second quarter under review was 2,582,140,000 yen (up 12.5% year on year).

In terms of expenditures, although advertising and sales promotion expenses increased by 23.9% year on year and personnel cost increased by 11.5% year on year in both the EC business and Financial business due to strategic investment, the Company posted operating income of 607,524,000 yen (up 20.4% year on year), EBITDA of 664,730,000 yen (up 15.8% year on year), ordinary income of 629,459,000 yen (up 27.0% year on year) led by the steady increase in net sales. In addition, the Company recorded an impairment loss, etc. of 36 million yen associated with a review of the overseas localization strategy for “Super Delivery” in the EC business as an extraordinary loss. As a result, the Company posted net income attributable to owners of parent of 383,049,000 yen (net loss of 2,707,000 yen in the same period of the previous year).

Results by segment are as follows:

(i) EC business

In Super Delivery, the mainstay service in the EC business, efforts have been made to maintain growth of the number of buying customers and increase gross merchandise value through improvement in average sale per customer. The second quarter under review saw sluggish growth in Japan in August, affected by the rapid spread of COVID-19 infections during its seventh wave and a decline in consumer willingness to spend due to soaring prices. However, from September onward, both the number of buying customers and average sale per customer increased as the relaxation of restrictions on the entry of foreigners and the start of national travel subsidy program boosted economic activities. As a result, the national gross merchandise across Japan increased by 13.8% year on year.

As for overseas, despite a decline in the number of buying customers in Taiwan and Hong Kong, where the gross merchandise value accounts for a larger portion, due to the impact of COVID-19 and other factors, the gross merchandise value in the U.S., a key region, continued to grow steadily and its portion for which gross merchandise value accounts for expanded due to the positive impact of a point and coupon system, in addition to favorable effects from the calming of soaring crude oil prices and the weakening of the yen. Consequently, the gross merchandise value overseas increased by 14.7% year on year and the value of transactions for the second quarter under review totaled 11,685,817,000 yen (up 14.1% year on year).

As of the end of the second quarter under review, the number of Super Delivery members stood at 305,928 (up 27,709), the number of participating companies at 3,176 (up 5), and the number of items displayed at 1,478,090 (up 46,890), all compared on a year-on-year basis.

As a result, sales in the EC business stood at 1,554,637,000 yen (up 10.1% year on year). In terms of expenditures, advertising and sales promotion expenses increased by 22.9% year on year due to the strengthening of promotional activities such as a point and coupon system. Soaring international shipping costs due to surging crude oil prices increased the shipping costs borne by the Company in the previous fiscal year; however, revisions of the level of shipping charges improved the balance between revenue and expenditure. In addition, the increase in selling, general and administrative expenses was limited. Consequently, segment profit was 638,785,000 yen (up 23.0% year on year).

(ii) Financial business

In the Paid service, efforts have been made to continuously increase member companies and increase transaction value per member company. The value of transactions continued to steadily increase due to favorable effects from the recovery of domestic economy and the digital transformation (DX) for billing operation. Consequently, the value of transactions outside the Group totaled 14,552,891,000 yen (up 22.6%) and the overall value of transactions (including 4,997,354,000 yen of transactions within the Group) stood at 19,550,246,000 yen (up 22.1%), both compared on a year-on-year basis.

In Guarantee services, the T&G Accounts Receivables Guarantee was integrated into URIHO in May 2022. The Company has continued its endeavors to increase guarantee balance by adding more member companies, leading to growth in net sales. Demand for credit guarantee services continued against the backdrop of the COVID-19 pandemic, and the number of member companies steadily increased.

Regarding rent guarantee services, 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 second quarter under review amounted to 102,517,595,000 yen (36,659,810,000 yen for RACCOON FINANCIAL, Inc. and 65,857,784,000 yen for RACCOON RENT, Inc.), up 5.6% from the end of the previous fiscal year. As a result, sales in the Financial business stood at 1,157,581,000 yen (up 16.8% year on year). In terms of expenditures, the amount of guarantees provided increased due to the relaxation of credit screening criteria, but screening criteria has been controlled appropriately and the ratio of cost of sales continued to be lower than levels seen before the COVID-19 pandemic. The Company continued to strengthen promotional activities, resulting in advertising expenses increasing by 42.6% year on year. Consequently, segment profit totaled 264,993,000 yen (up 20.3% year on year).

(2) Explanation on the financial status

(i) Financial status

Total assets at the end of the second quarter under review amounted to 14,354,316,000 yen, up 293,485,000 yen from the end of the previous fiscal year. Current assets increased 221,588,000 yen to 12,018,051,000 yen. The main factors causing the increase were the increase of 314,067,000 yen in accounts receivable – other, despite the increase of 31,172,000 yen in allowance for doubtful accounts. Non-current assets increased 71,896,000 yen to 2,336,265,000 yen. The main factors for the increase are the increase of 21,197,000 yen in software and software in progress in total and the increase of 46,023,000 yen in deferred tax assets. Liabilities at the end of the second quarter under review totaled 9,038,182,000 yen, up 341,940,000 yen from the end of the previous fiscal year. Current liabilities increased 361,611,000 yen to 7,991,187,000 yen. The main factors for the increase were the increase of 219,184,000 yen in accounts payable – trade due to increased transactions and the increase of 148,541,000 yen in income taxes payable due to the recording of income taxes. Non-current liabilities decreased 19,671,000 yen to 1,046,995,000 yen. The main factor for the decrease was the decrease of 22,500,000 yen in long-term borrowings due to repayment.

Net assets at the end of the second quarter under review decreased 48,454,000 yen to 5,316,134,000 yen. The main factors for the decrease were the decrease of 262,037,000 yen in other capital surplus due to acquisition and cancellation of treasury shares, despite the increase of 159,441,000 yen in retained earnings due to the recording of cash dividends paid of 223,607,000 yen and 383,049,000 yen in net income attributable to owners of parent for the second quarter under review, and the increase of 11,740,000 yen in capital stock and capital surplus in total due to exercise of share acquisition rights.

(ii) Cash flows

Cash and cash equivalents (the “funds”) at the end of the second quarter under review decreased 31,494,000 yen from the end of the previous fiscal year to 5,302,422,000 yen. Cash flows from each activity for the first half under review and their primary factors are as follows:

(Cash flows from operating activities)

Net cash provided by operating activities during the first half under review amounted to 635,352,000 yen (the funds decreased 853,339,000 yen year on year). The main factor for this is the recording of 593,132,000 yen in income before income taxes.

(Cash flows from investing activities)

Net cash used in investing activities during the first half under review amounted to 96,036,000 yen (the funds decreased 5,532,000 yen year on year). The main factors for this are the recording of 75,564,000 yen as purchase of intangible assets primarily for developing software and the recording of 20,000,000 yen as purchase of investment securities.

(Cash flows from financing activities)

Net cash used in financing activities during the first half under review amounted to 570,810,000 yen (the funds increased 242,283,000 yen year on year). The main factors for this are the recording of 262,215,000 yen as purchase of treasury shares, the recording of 223,607,000 yen as cash dividends paid, and the recording of 89,166,000 yen as repayments of long-term loans payable.

(3) Explanation on 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 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) Quarterly consolidated balance sheets

(Thousand yen)

	End of previous consolidated fiscal year (As of April 30, 2022)	End of second quarter of the consolidated fiscal year under review (As of October 31, 2022)
Assets		
Current assets		
Cash and deposits	5,343,305	5,312,676
Accounts receivable - trade	6,239,835	6,273,664
Rights to claim compensation	46,923	62,712
Supplies	276	213
Prepaid expenses	196,794	155,802
Other	145,458	420,286
Allowance for doubtful accounts	(176,131)	(207,304)
Total current assets	11,796,462	12,018,051
Non-current assets		
Property, plant and equipment		
Buildings	626,157	619,329
Accumulated depreciation	(90,714)	(95,322)
Buildings, net	535,442	524,006
Tools, furniture and fixtures	45,990	52,993
Accumulated depreciation	(26,742)	(28,770)
Tools, furniture and fixtures, net	19,247	24,223
Land	882,140	882,140
Total property, plant and equipment	1,436,830	1,430,370
Intangible assets		
Software	188,373	205,969
Software in progress	83,962	87,563
Goodwill	62,782	57,890
Other	1,440	1,283
Total intangible assets	336,559	352,706
Investments and other assets		
Investment securities	189,773	206,301
Lease and guarantee deposits	316	1,756
Deferred tax assets	285,927	331,951
Other	14,960	13,177
Total investments and other assets	490,978	553,187
Total non-current assets	2,264,368	2,336,265
Total assets	14,060,831	14,354,316

(Thousand yen)

	End of previous consolidated fiscal year (As of April 30, 2022)	End of second quarter of the consolidated fiscal year under review (As of October 31, 2022)
Liabilities		
Current liabilities		
Accounts payable - trade	6,439,410	6,658,594
Current portion of long-term borrowings	178,336	111,670
Accounts payable - other	178,870	214,045
Income taxes payable	130,019	278,560
Allowance for guarantees	99,196	113,333
Provision for bonuses	85,429	89,905
Provision for share-based remuneration	24,723	29,845
Provision for sales promotion expenses	18,480	38,690
Deposits received	22,918	22,578
Asset retirement obligations	4,270	—
Other	447,920	433,963
Total current liabilities	7,629,575	7,991,187
Non-current liabilities		
Long-term borrowings	1,020,000	997,500
Other	46,666	49,495
Total non-current liabilities	1,066,666	1,046,995
Total liabilities	8,696,242	9,038,182
Net assets		
Shareholders' equity		
Capital stock	1,852,237	1,858,107
Capital surplus	1,514,092	1,257,925
Retained earnings	2,372,888	2,532,330
Treasury shares	(449,857)	(422,453)
Total shareholders' equity	5,289,361	5,225,908
Share acquisition rights	75,227	90,225
Total net assets	5,364,588	5,316,134
Total liabilities and net assets	14,060,831	14,354,316

(2) Quarterly consolidated statements of income and comprehensive income
(Quarterly consolidated statements of income)
(Second quarter of the consolidated fiscal year)

(Thousand yen)

	Second quarter of the previous consolidated fiscal year (From May 1, 2021 to October 31, 2021)	Second quarter of the consolidated fiscal year under review (From May 1, 2022 to October 31, 2022)
Net sales	2,295,303	2,582,140
Cost of sales	388,335	474,955
Gross profit	1,906,968	2,107,185
Selling, general and administrative expenses	1,402,570	1,499,660
Operating income	504,398	607,524
Non-operating income		
Commission income	1,683	1,501
Gain on investments in investment partnerships	—	2,134
Surrender value of insurance policies	—	18,687
Other	653	6,135
Total non-operating income	2,336	28,459
Non-operating expenses		
Interest expenses	3,085	2,505
Commission expenses	2,848	2,232
Loss on investments in investment partnerships	4,952	—
Commission for purchase of treasury shares	—	1,442
Taxes and due	90	180
Other	183	164
Total non-operating expenses	11,159	6,524
Ordinary income	495,576	629,459
Extraordinary losses		
Loss on valuation of investment securities	325,750	—
Impairment losses	—	21,326
Settlement payments	—	15,000
Total extraordinary losses	325,750	36,326
Income before income taxes	169,826	593,132
Income taxes	172,533	210,083
Net income (loss)	(2,707)	383,049
Net income (loss) attributable to owners of parent	(2,707)	383,049

(Quarterly consolidated statements of comprehensive income)
(Second quarter of the consolidated fiscal year)

(Thousand yen)

	Second quarter of the previous consolidated fiscal year (From May 1, 2021 to October 31, 2021)	Second quarter of the consolidated fiscal year under review (From May 1, 2022 to October 31, 2022)
Net income (loss)	(2,707)	383,049
Comprehensive income	(2,707)	383,049
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	(2,707)	383,049

(3) Quarterly consolidated statements of cash flows

(Thousand yen)

	Second quarter of the previous consolidated fiscal year (From May 1, 2021 to October 31, 2021)	Second quarter of the consolidated fiscal year under review (From May 1, 2022 to October 31, 2022)
Cash flows from operating activities		
Income before income taxes	169,826	593,132
Depreciation	53,659	52,749
Amortization of goodwill	16,390	4,892
Share-based remuneration expenses	18,483	26,717
Increase (decrease) in allowance for doubtful accounts	30,569	31,172
Increase (decrease) in allowance for guarantees	9,079	14,136
Interest and dividend income	(29)	(28)
Loss (gain) on investments in investment partnerships	4,952	(2,134)
Interest expenses	3,085	2,505
Loss (gain) on valuation of investment securities	325,750	—
Impairment losses	—	21,326
Decrease (increase) in notes and accounts receivable - trade	(326,917)	(33,829)
Decrease (increase) in rights to claim compensation	1,778	(15,788)
Decrease (increase) in inventories	(10)	62
Increase (decrease) in notes and accounts payable - trade	1,323,873	219,184
Increase (decrease) in deposits received	12,595	(340)
Increase (decrease) in advances received	768	(1,217)
Decrease (increase) in prepaid expenses	48,825	40,992
Decrease/increase in consumption taxes receivable/payable	(14,107)	23,695
Other	20,715	(46,806)
Subtotal	1,699,287	930,424
Interest and dividend income received	29	28
Interest expenses paid	(3,051)	(2,488)
Income taxes paid	(210,619)	(292,612)
Income taxes refund	3,046	—
Cash flows provided by (used in) operating activities	1,488,692	635,352
Cash flows from investing activities		
Purchase of property, plant and equipment	—	(4,032)
Purchase of intangible assets	(54,496)	(75,564)
Purchase of investment securities	(45,000)	(20,000)
Proceeds from distributions from investment partnerships	9,000	5,000
Payments for lease and guarantee deposits	(8)	(1,440)
Cash flows provided by (used in) investing activities	(90,504)	(96,036)
Cash flows from financing activities		
Repayments of long-term loans payable	(130,840)	(89,166)
Cash dividends paid	(201,248)	(223,607)
Proceeds from issuance of shares resulting from exercise of subscription rights to shares	—	20
Purchase of treasury shares	(499,379)	(262,215)
Proceeds from disposal of treasury shares	20,985	6,566
Other	(2,611)	(2,408)
Cash flows provided by (used in) financing activities	(813,093)	(570,810)
Net increase (decrease) in cash and cash equivalents	585,094	(31,494)
Cash and cash equivalents at beginning of period	4,802,869	5,333,916
Cash and cash equivalents at end of period	5,387,963	5,302,422

(4) Notes on quarterly consolidated financial statements

(Notes regarding going concern assumptions)

Not applicable

(Notes in the case of significant changes in amount of shareholders' equity)

Not applicable

(Changes in accounting policies)

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has adopted the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31; June 17, 2021, hereinafter "Implementation Guidance on Accounting Standard for Fair Value Measurement") since the beginning of the first quarter of the consolidated fiscal year ending April 30, 2023. The Company applies the new accounting policy stipulated in the Implementation Guidance on Accounting Standard for Fair Value Measurement into the future in accordance with the transitional treatment stipulated in the provisions of paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement. There was no impact of this change in accounting policies on the Company's quarterly consolidated financial statements.

(Segment information)

[Segment information]

I. Second quarter of the previous consolidated fiscal year (from May 1, 2021, to October 31, 2021)

1. Information on sales and profits or losses by reporting segment

(Thousand yen)

	Reporting segment			Adjustment (Note 1)	Quarterly consolidated financial statement amount (Note 2)
	EC	Financial	Total		
Sales					
Sales to external customers	1,411,777	883,525	2,295,303	—	2,295,303
Inter-segment sales and transfers	—	107,874	107,874	(107,874)	—
Total	1,411,777	991,400	2,403,178	(107,874)	2,295,303
Segment profit	519,339	220,213	739,552	(235,154)	504,398

(Notes) 1. The segment profit adjustment of minus 235,154,000 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 reporting 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 quarterly consolidated statements of income.

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

Not applicable

II. Second quarter of the consolidated fiscal year under review (from May 1, 2022, to October 31, 2022)

1. Information on sales and profits or losses by reporting segment

(Thousand yen)

	Reporting segment			Adjustment (Note 1)	Quarterly consolidated financial statement amount (Note 2)
	EC	Financial	Total		
Sales					
Sales to external customers	1,554,637	1,027,503	2,582,140	—	2,582,140
Inter-segment sales and transfers	—	130,077	130,077	(130,077)	—
Total	1,554,637	1,157,581	2,712,218	(130,077)	2,582,140
Segment profit	638,785	264,993	903,778	(296,254)	607,524

(Notes) 1. The segment profit adjustment of minus 296,254,000 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 reporting 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 quarterly consolidated statements of income.

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

(Significant impairment loss on non-current assets)

In the EC business segment, the Company has determined to terminate the service of “日貨百貨 (SD Taiwan)” due to a review of the overseas localization strategy for “Super Delivery.” Accordingly, the Company recognized impairment loss on software and software in progress related to such service. The amount of such impairment loss recognized was 21,326,000 yen for the second quarter of the consolidated fiscal year under review.

(Significant subsequent events)

Not applicable