

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

February 28, 2023

Listed company: Raccoon Holdings, Inc.

Stock Exchange: Tokyo Stock Exchange

Code: 3031

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Scheduled date of submission of quarterly report: March 16, 2023

Scheduled date of commencement of dividend payment: -

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 third quarter of fiscal year ending April 30, 2023 (May 1, 2022 through January 31, 2023)

(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	%
Third quarter of fiscal year ending April 30, 2023	3,913	11.2	980	4.3	892	7.0	913	10.9	570	92.3
Third quarter of fiscal year ended April 30, 2022	3,519	8.4	939	(12.1)	834	(13.0)	823	(13.9)	296	(52.9)

(Note) Comprehensive income Third quarter of fiscal year ending April 30, 2023 ¥570 million (92.3%)
Third quarter of fiscal year ended April 30, 2022 ¥296 million ((52.9)%)

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

	Net income per share	Net income per share (diluted)
	Yen	Yen
Third quarter of fiscal year ending April 30, 2023	25.82	25.69
Third quarter of fiscal year ended April 30, 2022	13.35	13.30

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of January 31, 2023	13,652	5,317	38.2	236.08
As of April 30, 2022	14,060	5,364	37.6	238.12

(Reference) Shareholders' equity As of January 31, 2023 ¥5,213 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

(Note) 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

January 31, 2023	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

January 31, 2023	138,781	April 30, 2022	147,616
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(iii) Average number of issued shares during the quarter

Third quarter ended January 31, 2023	22,097,297	Third quarter ended January 31, 2022	22,210,250
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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 5 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 third quarter under review (May 1, 2022 through January 31, 2023), the Japanese economy moved towards a normalization of economic activities with a recovery in the flow of people following the relaxation of restrictions on activities in response to the novel coronavirus (COVID-19) pandemic. Meanwhile, the outlook remains uncertain, affected by escalating prices of commodities associated with higher prices of raw materials and energy, rapid fluctuations in the foreign exchange rate, and other factors.

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 third quarter under review saw concerns on the delay in the recovery of economic activities due to the arrival of the eighth wave of COVID-19, amid concerns on a decline in consumer willingness to spend as a result of soaring prices. However, as there were no restrictions on the entry of foreigners to Japan and tighter regulations such as restrictions on domestic activities, economic activities continued to be active. Amid the movement towards the normalization of economic activities, corporate activities by companies that use the Company’s services continued to improve and digital transformation (DX) was continuously promoted in B2B transactions. Consequently, net sales of both the EC business and Financial business increased. As a result, consolidated net sales for the third quarter under review was 3,913,641,000 yen (up 11.2% year on year).

In terms of expenditures, although advertising and sales promotion expenses increased by 21.7% year on year and personnel cost increased by 14.6% year on year in both the EC business and Financial business due to strategic investment, the Company posted operating income of 892,946,000 yen (up 7.0% year on year), EBITDA of 980,149,000 yen (up 4.3% year on year), ordinary income of 913,173,000 yen (up 10.9% 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 570,517,000 yen (up 92.3% year on 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 third quarter under review saw concerns on limiting the recovery of domestic economic activities due to the arrival of the eighth wave of COVID-19. However, as there were no restrictions on activities, economic activities continued to be active and both the number of buying customers and average sale per customer increased, despite a decline in consumer willingness to spend due to soaring prices. As a result, the national gross merchandise across Japan increased by 10.5% year on year.

As for overseas, in Greater China, where the gross merchandise value accounts for a large portion, the Chinese New Year, the period in which economic activities usually slow down, was moved up to the third quarter in 2023, while it fell on the fourth quarter in 2022. This difference resulted in delayed purchase activities and the gross merchandise value in Greater China was limited when compared on a year-on-year basis. On the other hand, the number of buying customers and average sale per customer in the U.S., a key region, increased and the gross merchandise value continued to show significant growth. Consequently, the gross merchandise value overseas increased by 12.5% year on year and the value of transactions of Super Delivery for the third quarter under review totaled 17,611,728,000 yen (up 11.0% year on year).

As of the end of the third quarter under review, the number of Super Delivery members stood at 318,873 (up 40,654), the number of participating companies at 3,162 (down 9), and the number of items displayed at 1,473,159 (up 41,959), all compared on a year-on-year basis.

As a result, sales in the EC business stood at 2,336,530,000 yen (up 7.6% year on year). In terms of expenditures, advertising and sales promotion expenses increased by 22.8% 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 946,024,000 yen (up 12.0% 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 DX for billing operation. Consequently, the value of transactions outside the Group totaled 22,484,063,000 yen (up 21.6%) and the overall value of transactions (including 7,730,390,000 yen of transactions within the Group) stood at 30,214,454,000 yen (up 20.5%), 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. The number of URIHO member companies steadily increased and the guarantee balance also steadily accumulated.

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 third quarter under review amounted to 105,667,473,000 yen (40,249,275,000 yen for RACCOON FINANCIAL, Inc. and 65,418,198,000 yen for RACCOON RENT, Inc.), up 8.8% from the end of the previous fiscal year. As a result, sales in the Financial business stood at 1,778,330,000 yen (up 17.1% year on year). In terms of expenditures, the rate of cost of sales slightly increased due to the relaxation of ongoing credit screening criteria, and it is the Company's understanding that the rate of cost of sales is almost approaching the appropriate levels of before the COVID-19 pandemic under appropriate credit screening control. The Company continued to strengthen promotional activities, resulting in advertising expenses increasing by 26.5% year on year. Consequently, segment profit totaled 394,166,000 yen (up 18.3% year on year).

(2) Explanation on the financial status

Total assets at the end of the third quarter under review amounted to 13,652,574,000 yen, down 408,256,000 yen from the end of the previous fiscal year. Current assets decreased 497,056,000 yen to 11,299,406,000 yen. The main factor causing the decrease was the decrease of 440,786,000 yen in accounts receivable - trade due to decreased transactions. Non-current assets increased 88,799,000 yen to 2,353,168,000 yen. The main factors for the increase were the increase of 38,394,000 yen in software and software in progress in total and the increase of 52,361,000 yen in deferred tax assets.

Liabilities at the end of the third quarter under review totaled 8,335,221,000 yen, down 361,020,000 yen from the end of the previous fiscal year. Current liabilities decreased 328,675,000 yen to 7,300,900,000 yen. The main factors for the decrease were the decrease of 196,576,000 yen in accounts payable - trade due to decreased transactions, the decrease of 99,999,000 yen in current portion of long-term borrowings and the decrease of 48,922,000 yen in provision for bonuses. Non-current liabilities decreased 32,345,000 yen to 1,034,321,000 yen. The main factor for the decrease was the decrease of 33,750,000 yen in long-term borrowings due to repayment.

Net assets at the end of the third quarter under review decreased 47,235,000 yen to 5,317,352,000 yen. The main factors for the decrease were the decrease of 423,594,000 yen in retained earnings due to cash dividends paid, despite the increase in retained earnings due to the recording of 570,517,000 yen in net income attributable to owners of parent for the third quarter under review, and the decrease of 262,037,000 yen in other capital surplus due to acquisition and cancellation of treasury shares, despite the increase of 11,740,000 yen in capital stock and capital surplus in total due to exercise of share acquisition rights.

(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 third quarter of the consolidated fiscal year under review (As of January 31, 2023)
Assets		
Current assets		
Cash and deposits	5,343,305	5,156,420
Accounts receivable - trade	6,239,835	5,799,048
Rights to claim compensation	46,923	64,378
Supplies	276	218
Prepaid expenses	196,794	130,727
Other	145,458	388,078
Allowance for doubtful accounts	(176,131)	(239,465)
Total current assets	11,796,462	11,299,406
Non-current assets		
Property, plant and equipment		
Buildings	626,157	619,329
Accumulated depreciation	(90,714)	(101,184)
Buildings, net	535,442	518,144
Tools, furniture and fixtures	45,990	57,807
Accumulated depreciation	(26,742)	(30,896)
Tools, furniture and fixtures, net	19,247	26,910
Land	882,140	882,140
Total property, plant and equipment	1,436,830	1,427,195
Intangible assets		
Software	188,373	198,691
Software in progress	83,962	112,038
Goodwill	62,782	55,444
Other	1,440	1,210
Total intangible assets	336,559	367,385
Investments and other assets		
Investment securities	189,773	205,301
Lease and guarantee deposits	316	1,756
Deferred tax assets	285,927	338,289
Other	14,960	13,239
Total investments and other assets	490,978	558,587
Total non-current assets	2,264,368	2,353,168
Total assets	14,060,831	13,652,574

(Thousand yen)

	End of previous consolidated fiscal year (As of April 30, 2022)	End of third quarter of the consolidated fiscal year under review (As of January 31, 2023)
Liabilities		
Current liabilities		
Accounts payable - trade	6,439,410	6,242,833
Current portion of long-term borrowings	178,336	78,337
Accounts payable - other	178,870	183,926
Income taxes payable	130,019	116,710
Allowance for guarantees	99,196	135,656
Provision for bonuses	85,429	36,506
Provision for share-based remuneration	24,723	26,787
Provision for sales promotion expenses	18,480	35,350
Deposits received	22,918	26,787
Asset retirement obligations	4,270	—
Other	447,920	418,004
Total current liabilities	7,629,575	7,300,900
Non-current liabilities		
Long-term borrowings	1,020,000	986,250
Other	46,666	48,071
Total non-current liabilities	1,066,666	1,034,321
Total liabilities	8,696,242	8,335,221
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	2,519,811
Treasury shares	(449,857)	(422,523)
Total shareholders' equity	5,289,361	5,213,320
Share acquisition rights	75,227	104,032
Total net assets	5,364,588	5,317,352
Total liabilities and net assets	14,060,831	13,652,574

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

(Thousand yen)

	Third quarter of the previous consolidated fiscal year (From May 1, 2021 to January 31, 2022)	Third quarter of the consolidated fiscal year under review (From May 1, 2022 to January 31, 2023)
Net sales	3,519,955	3,913,641
Cost of sales	605,592	748,598
Gross profit	2,914,362	3,165,043
Selling, general and administrative expenses	2,079,568	2,272,097
Operating income	834,793	892,946
Non-operating income		
Commission income	2,376	2,199
Gain on investments in investment partnerships	—	2,134
Surrender value of insurance policies	—	18,687
Other	743	6,211
Total non-operating income	3,120	29,233
Non-operating expenses		
Interest expenses	4,506	3,624
Commission expenses	4,189	3,392
Loss on investments in investment partnerships	4,952	—
Commission for purchase of treasury shares	—	1,442
Taxes and due	90	212
Other	390	334
Total non-operating expenses	14,128	9,006
Ordinary income	823,786	913,173
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	498,036	876,846
Income taxes	201,419	306,329
Net income	296,616	570,517
Net income attributable to owners of parent	296,616	570,517

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

(Thousand yen)

	Third quarter of the previous consolidated fiscal year (From May 1, 2021 to January 31, 2022)	Third quarter of the consolidated fiscal year under review (From May 1, 2022 to January 31, 2023)
Net income	296,616	570,517
Comprehensive income	296,616	570,517
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	296,616	570,517

(3) 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. Third quarter of the previous consolidated fiscal year (from May 1, 2021, to January 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	2,171,840	1,348,114	3,519,955	—	3,519,955
Inter-segment sales and transfers	—	171,101	171,101	(171,101)	—
Total	2,171,840	1,519,215	3,691,056	(171,101)	3,519,955
Segment profit	844,912	333,236	1,178,149	(343,355)	834,793

(Notes) 1. The segment profit adjustment of minus 343,355,000 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. Third quarter of the consolidated fiscal year under review (from May 1, 2022, to January 31, 2023)

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	2,336,530	1,577,110	3,913,641	—	3,913,641
Inter-segment sales and transfers	—	201,219	201,219	(201,219)	—
Total	2,336,530	1,778,330	4,114,861	(201,219)	3,913,641
Segment profit	946,024	394,166	1,340,191	(447,244)	892,946

(Notes) 1. The segment profit adjustment of minus 447,244,000 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 third quarter of the consolidated fiscal year under review.

(Significant subsequent events)

Not applicable