

Summary of Financial Results (Consolidated)
For the First Quarter of Fiscal Year Ending April 30, 2024
(Japanese GAAP)

August 31, 2023

Listed company: Raccoon Holdings, Inc.

Stock Exchange: Tokyo Stock Exchange

Code: 3031

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Scheduled date of submission of quarterly report: September 14, 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 first quarter of fiscal year ending April 30, 2024 (May 1, 2023 through July 31, 2023)

(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	%
First quarter of fiscal year ending April 30, 2024	1,389	9.1	278	(11.4)	281	(10.1)	182	(8.5)
First quarter of fiscal year ended April 30, 2023	1,273	12.3	314	21.4	312	21.4	199	18.0

(Note) Comprehensive income First quarter of fiscal year ending April 30, 2024 ¥182 million ((8.5)%

First quarter of fiscal year ended April 30, 2023 ¥199 million (18.0%)

	Net income per share	Net income per share (diluted)
	Yen	Yen
First quarter of fiscal year ending April 30, 2024	8.37	8.34
First quarter of fiscal year ended April 30, 2023	9.02	8.98

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of July 31, 2023	14,246	4,948	33.8	225.31
As of April 30, 2023	15,178	5,429	35.0	240.65

(Reference) Shareholders' equity As of July 31, 2023 ¥4,821 million

As of April 30, 2023 ¥5,315 million

2. Dividends

	Dividend per share				
	End of Q1	End of Q2	End of Q3	Year end	Annual
Fiscal year ended April 30, 2023	Yen -	Yen 9.00	Yen -	Yen 9.00	Yen 18.00
Fiscal year ending April 30, 2024	-				
Fiscal year ending April 30, 2024 (forecast)		9.00	-	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, 2024 (May 1, 2023 through April 30, 2024)

(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
First half	-	-	-	-	-	-	-	-	-
Full year	6,240 to 6,440	17.3 to 21.0	850 to 1,050	(28.8) to (12.0)	850 to 1,050	(30.7) to (14.4)	530 to 650	(20.8) to (2.8)	24.62 to 30.20

(Note) 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.: 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 quarter			
July 31, 2023	22,228,743	April 30, 2023	22,228,743
(ii) Number of treasury stock shares at the end of the quarter			
July 31, 2023	830,287	April 30, 2023	138,781
(iii) Average number of issued shares during the quarter			
First quarter ended July 31, 2023	21,825,518	First quarter ended July 31, 2022	22,140,414

*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 first quarter under review (May 1, 2023 through July 31, 2023), the novel coronavirus (COVID-19) was downgraded to Class 5, and the Japanese economy is progressing in its recovery with domestic economic activities generally normalized.

While the picking up of the economy was expected in line with the continued recovery trend in consumer spending, the outlook remains uncertain, affected by the prolonged situation in Russia and Ukraine, concerns on economic downturn due to global monetary tightening, higher prices of resources and raw materials on the back of a weakening of the yen, and other factors.

Under such circumstances, the Raccoon Group has promoted a new Mid-term Management Plan beginning from the fiscal year ended April 30, 2023 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. In the current fiscal year, the second fiscal year of the Mid-term Management Plan, measures to accelerate the pace of customer acquisitions were taken by significantly enhancing advertising expenses in both the EC business and the Financial business. As a result, consolidated net sales for the first quarter under review were 1,389,533,000 yen (up 9.1% year on year).

In terms of expenditures, advertising expenses increased by 36.8% year on year and selling, general and administrative expenses increased by 15.4% year on year due to significantly increasing investments in customer acquisition this fiscal year. As a result, the Company posted operating income of 278,676,000 yen (down 11.4% year on year), ordinary income of 281,147,000 yen (down 10.1% year on year), and net income attributable to owners of parent of 182,742,000 yen (down 8.5% 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. Measures to significantly enhance investments in customer acquisition are being taken as we aim to accelerate the pace to increase the number of buying customers in the current fiscal year.

During the first quarter under review, domestically, both the number of buying customers and average sale per customer increased steadily as earnings continue to be on a recovery trend for domestic businesses other than retailing, with COVID-19 being downgraded to Class 5 and economic activities generally normalized. On the other hand, as for domestic retailers, which account for a large proportion of the gross merchandise value in Japan, for small and medium-sized retailers, which account for a large proportion of domestic retailers in Super Delivery, although the number of buying customers increased, the average sale per customer decreased, with the continued delay in earnings recovery. As a result, the national gross merchandise across Japan increased by 3.3% year on year.

As for overseas, although the gross merchandise value in the U.S., a key region, continued to show steady growth, the gross merchandise value overseas increased by 0.1% year on year due to the impact of a decrease in the number of buying customers in Taiwan and Hong Kong, which account for a large proportion of the gross merchandise value overseas.

As a result, the value of transactions of Super Delivery for the first quarter under review totaled 5,900,884,000 yen (up 2.4% year on year). As of the end of the first quarter under review, the number of Super Delivery members stood at 344,921 (up 12,495), the number of participating companies at 3,152 (up 25), and the number of items displayed at 1,515,079 (up 36,008), all compared on a year-on-year basis.

As a result, sales in the EC business stood at 796,974,000 yen (up 3.5% year on year). In terms of expenditures, advertising expenses increased by 21.8% year on year as investments in customer acquisition were significantly increased in order to increase the pace of customer acquisition. Consequently, segment profit was 307,218,000 yen (down 7.1% year on year).

(ii) Financial business

In the Paid service, efforts have been made to continuously and actively increase member companies and increase transaction value per member company. In response to continued increase in demand for outsourcing of payment services, both the number of member companies and the number of active companies increased steadily. Consequently, the value of transactions outside the Group totaled 8,794,414,000 yen (up 23.8%) and the overall value of transactions (including 2,707,621,000 yen of transactions within the Group) stood at 11,502,035,000 yen (up 20.7%), both compared on a year-on-year basis.

In Guarantee services, the Company has continued its endeavors to increase guarantee balance by adding more member companies to URIHO, leading to growth in net sales. In addition, measures to increase availability of URIHO by increasing new schemes, eligible receivables, etc. are being taken. As demand for services remained favorable, 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 first quarter under review amounted to 112,449,641,000 yen (47,276,395,000 yen for RACCOON FINANCIAL, Inc. and 65,173,246,000 yen for RACCOON RENT, Inc.), up 3.3% from the end of the previous fiscal year. As a result, sales in the Financial business stood at 663,037,000 yen (up 17.1% year on year). In terms of expenditures, although the number of corporate bankruptcies of domestic small and medium sized businesses due to the start of repayments of interest-free and unsecured loans is increasing, the rate of cost of sales continues to be at an appropriate level due to the Company's appropriate credit screening control. The Company continued to strengthen promotional activities, resulting in advertising expenses increasing by 87.0% year on year. Consequently, segment profit totaled 126,488,000 yen (down 5.2% year on year).

(2) Explanation on the financial status

Total assets at the end of the first quarter under review amounted to 14,246,869,000 yen, down 931,793,000 yen from the end of the previous fiscal year. Current assets decreased 1,089,280,000 yen to 11,890,539,000 yen. The main factor causing the decrease was the decrease of 357,810,000 yen in accounts receivable - trade due to decreased transactions, and the decrease of 916,213,000 yen in cash and deposits due to cash dividends paid and withholding income tax paid. Non-current assets increased 157,487,000 yen to 2,356,330,000 yen. The main factor for the increase was the recording of 131,250,000 yen in newly acquired investment securities.

Liabilities at the end of the first quarter under review totaled 9,298,778,000 yen, down 450,880,000 yen from the end of the previous fiscal year. Current liabilities decreased 450,334,000 yen to 9,252,390,000 yen. The main factor for the decrease was the decrease of 317,130,000 yen in accounts payable - trade due to decreased transactions. Non-current liabilities decreased 546,000 yen to 46,388,000 yen. The main factor for the decrease was the decrease of 1,446,000 yen in lease liabilities due to repayment.

Net assets at the end of the first quarter under review decreased 480,912,000 yen to 4,948,090,000 yen. The main factor for the decrease was the increase of 477,407,000 yen in treasury shares due to acquisition, etc., of treasury shares.

(3) Explanation on forecasts including consolidated results forecasts

For the forecast of results for the fiscal year ending April 30, 2024, a change in the growth rate of gross merchandise value is forecasted as there will be changes to membership plans (establishment of free membership plans (free plan) for domestic retailers) in Super Delivery in the EC business as of September 1 in the second quarter. Although advertising and sales promotion expenses have been significantly enhanced in order to accelerate the pace of customer acquisition in the EC business and Financial business, offsets are forecasted to occur at the time of expenditures. As a consequence, results for each quarter in the current fiscal year are forecasted to fluctuate wildly compared to past years. However, there are no changes to the results forecasts for the full year, and there are no changes to the consolidated results forecasts as announced on June 12, 2023.

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, 2023)	End of first quarter of the consolidated fiscal year under review (As of July 31, 2023)
Assets		
Current assets		
Cash and deposits	5,438,387	4,522,174
Accounts receivable - trade	7,067,419	6,709,608
Rights to claim compensation	81,263	76,867
Supplies	183	193
Prepaid expenses	192,803	181,588
Other	444,712	676,561
Allowance for doubtful accounts	(244,949)	(276,454)
Total current assets	12,979,819	11,890,539
Non-current assets		
Property, plant and equipment		
Buildings	620,329	620,329
Accumulated depreciation	(107,058)	(112,936)
Buildings, net	513,271	507,392
Tools, furniture and fixtures	57,807	57,807
Accumulated depreciation	(32,992)	(34,893)
Tools, furniture and fixtures, net	24,814	22,914
Land	882,140	882,140
Total property, plant and equipment	1,420,226	1,412,446
Intangible assets		
Software	192,048	173,078
Software in progress	81,941	147,239
Other	1,141	1,309
Total intangible assets	275,131	321,626
Investments and other assets		
Investment securities	214,691	338,941
Lease and guarantee deposits	1,756	1,953
Deferred tax assets	273,797	281,281
Other	13,239	80
Total investments and other assets	503,485	622,256
Total non-current assets	2,198,843	2,356,330
Total assets	15,178,663	14,246,869

(Thousand yen)

	End of previous consolidated fiscal year (As of April 30, 2023)	End of first quarter of the consolidated fiscal year under review (As of July 31, 2023)
Liabilities		
Current liabilities		
Accounts payable - trade	7,529,982	7,212,852
Current portion of long-term borrowings	1,020,000	1,008,750
Accounts payable - other	196,734	199,423
Income taxes payable	167,816	118,501
Allowance for guarantees	127,909	132,648
Provision for bonuses	91,748	39,582
Provision for share-based remuneration	23,335	2,638
Provision for sales promotion expenses	37,510	39,010
Deposits received	26,539	27,789
Other	481,148	471,193
Total current liabilities	9,702,724	9,252,390
Non-current liabilities		
Other	46,935	46,388
Total non-current liabilities	46,935	46,388
Total liabilities	9,749,659	9,298,778
Net assets		
Shareholders' equity		
Capital stock	1,860,286	1,860,286
Capital surplus	1,260,104	1,260,104
Retained earnings	2,618,097	2,600,785
Treasury shares	(422,523)	(899,930)
Total shareholders' equity	5,315,965	4,821,245
Share acquisition rights	113,037	126,844
Total net assets	5,429,003	4,948,090
Total liabilities and net assets	15,178,663	14,246,869

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

(Thousand yen)

	First quarter of the previous consolidated fiscal year (From May 1, 2022 to July 31, 2022)	First quarter of the consolidated fiscal year under review (From May 1, 2023 to July 31, 2023)
Net sales	1,273,227	1,389,533
Cost of sales	229,123	269,274
Gross profit	1,044,104	1,120,258
Selling, general and administrative expenses	729,401	841,582
Operating income	314,702	278,676
Non-operating income		
Commission income	774	631
Surrender value of insurance policies	—	5,231
Other	1,067	917
Total non-operating income	1,841	6,781
Non-operating expenses		
Interest expenses	1,242	958
Commission expenses	1,066	886
Commission for purchase of treasury shares	1,442	2,465
Other	16	0
Total non-operating expenses	3,767	4,310
Ordinary income	312,776	281,147
Income before income taxes	312,776	281,147
Income taxes	112,983	98,404
Net income	199,793	182,742
Net income attributable to owners of parent	199,793	182,742

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

(Thousand yen)

	First quarter of the previous consolidated fiscal year (From May 1, 2022 to July 31, 2022)	First quarter of the consolidated fiscal year under review (From May 1, 2023 to July 31, 2023)
Net income	199,793	182,742
Comprehensive income	199,793	182,742
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	199,793	182,742

(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)

Not applicable

(Segment information)

[Segment information]

I. First quarter of the previous consolidated fiscal year (from May 1, 2022, to July 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	770,222	503,005	1,273,227	—	1,273,227
Inter-segment sales and transfers	—	63,200	63,200	(63,200)	—
Total	770,222	566,205	1,336,427	(63,200)	1,273,227
Segment profit	330,732	133,418	464,150	(149,447)	314,702

(Notes) 1. The segment profit adjustment of minus 149,447,000 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. First quarter of the consolidated fiscal year under review (from May 1, 2023, to July 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	796,974	592,558	1,389,533	—	1,389,533
Inter-segment sales and transfers	—	70,479	70,479	(70,479)	—
Total	796,974	663,037	1,460,012	(70,479)	1,389,533
Segment profit	307,218	126,488	433,706	(155,030)	278,676

(Notes) 1. The segment profit adjustment of minus 155,030,000 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

(Significant subsequent events)

Not applicable