

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

November 30, 2023

Listed company: Raccoon Holdings, Inc.

Stock Exchange: Tokyo Stock Exchange

Code: 3031

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Scheduled date of submission of quarterly report: December 14, 2023

Scheduled date of commencement of dividend payment: January 9, 2024

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, 2024 (May 1, 2023 through October 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	%
Second quarter of fiscal year ending April 30, 2024	2,819	9.2	326	(46.3)	326	(48.1)	202	(47.1)
Second quarter of fiscal year ended April 30, 2023	2,582	12.5	607	20.4	629	27.0	383	-

(Note) Comprehensive income

Second quarter of fiscal year ending April 30, 2024

¥202 million ((47.1)%)

Second quarter of fiscal year ended April 30, 2023

¥383 million (-%)

	Net income per share	Net income per share (diluted)
	Yen	Yen
Second quarter of fiscal year ending April 30, 2024	9.37	9.33
Second quarter of fiscal year ended April 30, 2023	17.33	17.25

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of October 31, 2023	15,039	4,979	32.2	226.52
As of April 30, 2023	15,178	5,429	35.0	240.65

(Reference) Shareholders' equity

As of October 31, 2023

¥4,848 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
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended April 30, 2023	—	9.00	—	9.00	18.00
Fiscal year ending April 30, 2024	—	9.00			
Fiscal year ending April 30, 2024 (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, 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
Full year	6,240	17.3	850	(28.8)	850	(30.7)	530	(20.8)	24.62
	to 6,440	to 21.0	to 1,050	to (12.0)	to 1,050	to (14.4)	to 650	to (2.8)	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			
October 31, 2023	22,235,143	April 30, 2023	22,228,743
(ii) Number of treasury stock shares at the end of the quarter			
October 31, 2023	830,260	April 30, 2023	138,781
(iii) Average number of issued shares during the quarter			
Second quarter ended October 31, 2023	21,614,116	Second quarter ended October 31, 2022	22,104,688

*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.

○ Contents of Accompanying Materials

1. Qualitative Information on Results for the Quarter under Review	4
(1) Explanation on operating results	4
(2) Explanation on the financial status	5
(3) Explanation on forecasts including consolidated results forecasts	6
2. Quarterly Consolidated Financial Statements and Major Notes	7
(1) Quarterly consolidated balance sheets	7
(2) Quarterly consolidated statements of income and comprehensive income	9
(Quarterly consolidated statements of income)	
(Second quarter of the consolidated fiscal year)	9
(Quarterly consolidated statements of comprehensive income)	
(Second quarter of the consolidated fiscal year)	10
(3) Quarterly consolidated statements of cash flows	11
(4) Notes on quarterly consolidated financial statements	12
(Notes regarding going concern assumptions)	12
(Notes in the case of significant changes in amount of shareholders' equity)	12
(Changes in accounting policies)	12
(Segment information)	13
(Significant subsequent events)	13

1. Qualitative Information on Results for the Quarter under Review

(1) Explanation on operating results

During the second quarter under review (May 1, 2023 through October 31, 2023), the novel coronavirus (COVID-19) was downgraded to Class 5, causing the Japanese economy to continue on a recovery trend owing to service consumption and a recovery in inbound demand, etc. Meanwhile, the outlook remains uncertain, affected by higher prices of crude oil, sudden progress in the depreciation of the yen, and reduced consumer spending resulting from an increase in commodity prices, etc., 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 second quarter under review were 2,819,099,000 yen (up 9.2% year on year).

In terms of expenditures, advertising expenses increased by 76.3% year on year and selling, general and administrative expenses increased by 30.1% year on year due to significantly increasing investments in customer acquisition this fiscal year. Repair expenses of 42,000,000 yen were also recorded as expenses for HVAC replacement at the headquarters building. As a result, the Company posted operating income of 326,531,000 yen (down 46.3% year on year), ordinary income of 326,593,000 yen (down 48.1% year on year), and net income attributable to owners of parent of 202,533,000 yen (down 47.1% 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.

Domestically, a new membership plan was launched in September. Under this initiative, a new free plan with zero membership fees is now offered for domestic retailers that were previously charged 2,000 yen per month in membership fees with the objective of increasing the pace of raising the number of registered members and buying customers. Meanwhile, a standard plan for 2,000 yen per month is also available, which provides various benefits in exchange for the membership fee, with the aim of increasing average sale per customer through improving customer loyalty and increasing the number of purchases. In addition to the new membership plans, the Company is actively investing in promotions to more effectively capture customers, and ahead of the new plan launch, increased ad spending for listings from August, and aired television commercials from September. Furthermore, for members with dormant accounts, we provided notifications regarding the introduction of a free plan while implementing a welcome back campaign that provides loyalty points for members who reactivate. As a result, domestic registered members and customer numbers increased significantly. Although a significant increase in the number of first-time buyers with low average sale per customer caused domestic average sale per customer to decrease, restricting growth in gross merchandise value, the gradual shift in the future to repeat purchasers, which have a high average sale per customer, are projected to contribute to growth in gross merchandise value in the third quarter and beyond. As a result, the national gross merchandise across Japan increased by 3.1% year on year.

As for overseas, gross merchandise value in the U.S., a key region, continued to show steady growth. Furthermore, the Company has continued in the second quarter with its initiative to reduce shipping fees in regions excluding Asia, which began in July, causing gross merchandise value in applicable regions to grow steadily. Gross merchandise value in Taiwan and Hong Kong, which account for a large proportion of the gross merchandise value overseas, showed a decline in Hong Kong, but Taiwan is on a recovery trend. As a result, the gross merchandise value overseas increased by 1.2% year on year.

Additionally, as of the end of the second quarter under review, the number of Super Delivery members stood at 360,351 (up 27,925), the number of participating companies at 3,169 (up 42), and the number of items displayed at 1,579,992 (up 100,921), all compared on a year-on-year basis.

As a result, sales in the EC business stood at 1,611,393,000 yen (up 3.7% year on year). In terms of expenditures, advertising expenses and sales promotion expenses increased by 72.3% year on year as the Company is actively implementing investment in various promotions in line with the introduction of the above new membership plans. Consequently, segment profit was 428,745,000 yen (down 32.9% 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 17,825,909,000 yen (up 22.5%) and the overall value of transactions (including 5,469,013,000 yen of transactions within the Group) stood at 23,294,922,000 yen (up 19.2%), both compared on a year-on-year basis.

In URIHO, the Company has continued its endeavors to increase guarantee balance by adding more members, leading to growth in net sales. As demand for services remained favorable, the number of member companies steadily increased and the guarantee balance also 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 115,215,773,000 yen (50,586,074,000 yen for RACCOON FINANCIAL, Inc. and 64,629,699,000 yen for RACCOON RENT, Inc.), up 5.8% from the end of the previous fiscal year. As a result, sales in the Financial business stood at 1,350,080,000 yen (up 16.6% year on year). In terms of expenditures, although the number of bankruptcies of domestic small and medium sized businesses due to the start of repayments of interest-free and unsecured loans, etc., 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 strengthened promotional activities, resulting in advertising expenses increasing by 90.9% year on year. Consequently, segment profit totaled 251,984,000 yen (down 4.9% 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 15,039,757,000 yen, down 138,905,000 yen from the end of the previous fiscal year. Current assets decreased 423,912,000 yen to 12,555,907,000 yen. The main factor causing the decrease was the decrease of 336,552,000 yen in cash and deposits due to the acquisition, etc., of treasury shares. Non-current assets increased 285,006,000 yen to 2,483,850,000 yen. The main factor for the increase was the recording of 171,250,000 yen in newly acquired investment securities.

Liabilities at the end of the second quarter under review totaled 10,060,012,000 yen, up 310,353,000 yen from the end of the previous fiscal year. Current liabilities increased 312,957,000 yen to 10,015,681,000 yen. The main factors for the increase were the increase of 221,094,000 yen in accounts payable – trade due to increased transactions and the increase of 110,919 yen in account payable–other. Non-current liabilities decreased 2,603,000 yen to 44,331,000 yen. The main factor for the decrease was the decrease of 2,903,000 yen in lease liabilities due to repayment.

Net assets at the end of the second quarter under review decreased 449,259,000 yen to 4,979,744,000 yen. The main factor for the decrease was the increase of 477,325,000 yen in treasury shares due to acquisition, etc., of treasury shares.

(ii) Cash flows

Cash and cash equivalents (the “funds”) at the end of the second quarter under review decreased 336,420,000 yen from the end of the previous fiscal year to 5,091,260,000 yen. Cash flows from each activity for the second quarter under review and their primary factors are as follows:

(Cash flows from operating activities)

Net cash provided by operating activities during the fiscal year under review amounted to 684,257,000 yen (the funds increased 48,904,000 yen year on year). The main factors for this are the recording of 326,593,000 yen in income before income taxes and an increase of 221,094,000 yen in notes and accounts payable – trade.

(Cash flows from investing activities)

Net cash used in investing activities during the fiscal year under review amounted to 294,793,000 yen (the funds decreased 198,756,000 yen year on year). The main factors for this are the recording of 130,346,000 yen as purchase of intangible assets primarily for developing software and the recording of 171,250,000 yen as purchase of investment securities.

(Cash flows from financing activities)

Net cash used in financing activities during the fiscal year under review amounted to 725,883,000 yen (the funds decreased 155,073,000 yen year on year). The main factors for this are the recording of 503,576,000 yen as purchase of treasury shares and the recording of 200,054,000 yen as cash dividends paid.

(3) Explanation on forecasts including consolidated results forecasts

For the forecast of results for the fiscal year ending April 30, 2024, 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 second quarter of the consolidated fiscal year under review (As of October 31, 2023)
Assets		
Current assets		
Cash and deposits	5,438,387	5,101,834
Accounts receivable - trade	7,067,419	7,204,047
Rights to claim compensation	81,263	66,788
Supplies	183	190
Prepaid expenses	192,803	140,314
Other	444,712	352,416
Allowance for doubtful accounts	(244,949)	(309,684)
Total current assets	12,979,819	12,555,907
Non-current assets		
Property, plant and equipment		
Buildings	620,329	620,329
Accumulated depreciation	(107,058)	(118,815)
Buildings, net	513,271	501,513
Tools, furniture and fixtures	57,807	57,807
Accumulated depreciation	(32,992)	(36,793)
Tools, furniture and fixtures, net	24,814	21,013
Land	882,140	882,140
Total property, plant and equipment	1,420,226	1,404,667
Intangible assets		
Software	192,048	271,069
Software in progress	81,941	90,048
Other	1,141	1,233
Total intangible assets	275,131	362,351
Investments and other assets		
Investment securities	214,691	374,523
Lease and guarantee deposits	1,756	1,953
Deferred tax assets	273,797	340,272
Other	13,239	80
Total investments and other assets	503,485	716,830
Total non-current assets	2,198,843	2,483,850
Total assets	15,178,663	15,039,757

(Thousand yen)

	End of previous consolidated fiscal year (As of April 30, 2023)	End of second quarter of the consolidated fiscal year under review (As of October 31, 2023)
Liabilities		
Current liabilities		
Accounts payable - trade	7,529,982	7,751,077
Current portion of long-term borrowings	1,020,000	997,500
Accounts payable - other	196,734	307,654
Income taxes payable	167,816	213,916
Allowance for guarantees	127,909	132,805
Provision for bonuses	91,748	99,340
Provision for share-based remuneration	23,335	6,595
Provision for sales promotion expenses	37,510	55,410
Deposits received	26,539	14,295
Other	481,148	437,086
Total current liabilities	9,702,724	10,015,681
Non-current liabilities		
Other	46,935	44,331
Total non-current liabilities	46,935	44,331
Total liabilities	9,749,659	10,060,012
Net assets		
Shareholders' equity		
Capital stock	1,860,286	1,864,071
Capital surplus	1,260,104	1,263,889
Retained earnings	2,618,097	2,620,576
Treasury shares	(422,523)	(899,848)
Total shareholders' equity	5,315,965	4,848,689
Share acquisition rights	113,037	131,054
Total net assets	5,429,003	4,979,744
Total liabilities and net assets	15,178,663	15,039,757

(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, 2022 to October 31, 2022)	Second quarter of the consolidated fiscal year under review (From May 1, 2023 to October 31, 2023)
Net sales	2,582,140	2,819,099
Cost of sales	474,955	540,882
Gross profit	2,107,185	2,278,217
Selling, general and administrative expenses	1,499,660	1,951,685
Operating income	607,524	326,531
Non-operating income		
Commission income	1,501	1,296
Gain on investments in investment partnerships	2,134	—
Surrender value of insurance policies	18,687	5,231
Other	6,135	3,631
Total non-operating income	28,459	10,159
Non-operating expenses		
Interest expenses	2,505	1,825
Commission expenses	2,232	1,486
Loss on investments in investment partnerships	—	4,047
Commission for purchase of treasury shares	1,442	2,465
Other	344	273
Total non-operating expenses	6,524	10,097
Ordinary income	629,459	326,593
Extraordinary losses		
Impairment losses	21,326	—
Settlement payments	15,000	—
Total extraordinary losses	36,326	—
Income before income taxes	593,132	326,593
Income taxes	210,083	124,060
Net income	383,049	202,533
Net income attributable to owners of parent	383,049	202,533

(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, 2022 to October 31, 2022)	Second quarter of the consolidated fiscal year under review (From May 1, 2023 to October 31, 2023)
Net income	383,049	202,533
Comprehensive income	383,049	202,533
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	383,049	202,533

(3) Quarterly consolidated statements of cash flows

(Thousand yen)

	Second quarter of the previous consolidated fiscal year (From May 1, 2022 to October 31, 2022)	Second quarter of the consolidated fiscal year under review (From May 1, 2023 to October 31, 2023)
Cash flows from operating activities		
Income before income taxes	593,132	326,593
Depreciation	52,749	58,602
Amortization of goodwill	4,892	—
Share-based remuneration expenses	26,717	25,580
Increase (decrease) in allowance for doubtful accounts	31,172	64,734
Increase (decrease) in allowance for guarantees	14,136	4,896
Interest and dividend income	(28)	(26)
Loss (gain) on investments in investment partnerships	(2,134)	4,047
Interest expenses	2,505	1,825
Impairment losses	21,326	—
Decrease (increase) in notes and accounts receivable - trade	(33,829)	(136,628)
Decrease (increase) in rights to claim compensation	(15,788)	14,475
Decrease (increase) in inventories	62	(7)
Increase (decrease) in notes and accounts payable - trade	219,184	221,094
Increase (decrease) in deposits received	(340)	(12,244)
Increase (decrease) in advances received	(1,217)	(20,936)
Decrease (increase) in prepaid expenses	40,992	52,489
Decrease/increase in consumption taxes receivable/payable	23,695	14,139
Other	(46,806)	122,240
Subtotal	930,424	740,878
Interest and dividend income received	28	26
Interest expenses paid	(2,488)	(1,809)
Income taxes paid	(292,612)	(361,141)
Income taxes refund	—	306,302
Cash flows provided by (used in) operating activities	635,352	684,257
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,032)	—
Purchase of intangible assets	(75,564)	(130,346)
Purchase of investment securities	(20,000)	(171,250)
Proceeds from distributions from investment partnerships	5,000	7,000
Payments for lease and guarantee deposits	(1,440)	(197)
Cash flows provided by (used in) investing activities	(96,036)	(294,793)
Cash flows from financing activities		
Repayments of long-term borrowings	(89,166)	(22,500)
Cash dividends paid	(223,607)	(200,054)
Proceeds from issuance of shares resulting from exercise of subscription rights to shares	20	6
Purchase of treasury shares	(262,215)	(503,576)
Proceeds from disposal of treasury shares	6,566	3,057
Other	(2,408)	(2,816)
Cash flows provided by (used in) financing activities	(570,810)	(725,883)
Net increase (decrease) in cash and cash equivalents	(31,494)	(336,420)
Cash and cash equivalents at beginning of period	5,333,916	5,427,680
Cash and cash equivalents at end of period	5,302,422	5,091,260

(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)

Not applicable

(Segment information)

[Segment information]

I. Second quarter of the previous consolidated fiscal year (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.

II. Second quarter of the consolidated fiscal year under review (from May 1, 2023, to October 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	1,611,393	1,207,705	2,819,099	—	2,819,099
Inter-segment sales and transfers	—	142,374	142,374	(142,374)	—
Total	1,611,393	1,350,080	2,961,473	(142,374)	2,819,099
Segment profit	428,745	251,984	680,730	(354,198)	326,531

(Notes) 1. The segment profit adjustment of minus 354,198,000 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