

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

February 29, 2024

Listed company: Raccoon Holdings, Inc.

Stock Exchange: Tokyo Stock Exchange

Code: 3031

URL: <http://www.raccoon.ne.jp/>

Representative: Isao Ogata, President and Representative Director

Contact: Satoshi Konno, Executive Vice President of Finance and Director

Tel. +81-3-5652-1711

Scheduled date of submission of quarterly report: March 14, 2024

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, 2024 (May 1, 2023 through January 31, 2024)

(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	%
Third quarter of fiscal year ending April 30, 2024	4,299	9.9	465	(47.9)	466	(48.9)	310	(45.5)
Third quarter of fiscal year ended April 30, 2023	3,913	11.2	892	7.0	913	10.9	570	92.3

(Note) Comprehensive income

Third quarter of fiscal year ending April 30, 2024

¥310 million ((45.5)%)

Third quarter of fiscal year ended April 30, 2023

¥570 million (92.3%)

	Net income per share	Net income per share (diluted)
	Yen	Yen
Third quarter of fiscal year ending April 30, 2024	14.43	14.35
Third quarter of fiscal year ended April 30, 2023	25.82	25.69

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of January 31, 2024	13,967	4,906	34.1	222.53
As of April 30, 2023	15,178	5,429	35.0	240.65

(Reference) Shareholders' equity

As of January 31, 2024

¥4,763 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)				5.00	14.00

(Note) Revisions to dividend forecasts announced most recently: Yes

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	5,850	9.9	550	(53.9)	550	(55.1)	330	△50.7	15.34

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

* Notes

(1) Important changes in subsidiaries during the quarter under review: 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			
January 31, 2024	22,235,143	April 30, 2023	22,228,743
(ii) Number of treasury stock shares at the end of the quarter			
January 31, 2024	830,257	April 30, 2023	138,781
(iii) Average number of issued shares during the quarter			
Third quarter ended January 31, 2024	21,544,372	Third quarter ended January 31, 2023	22,097,297

*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.

○ 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	5
2. Quarterly Consolidated Financial Statements and Major Notes	6
(1) Quarterly consolidated balance sheets	6
(2) Quarterly consolidated statements of income and comprehensive income	8
(3) Notes on quarterly consolidated financial statements	10
(Notes regarding going concern assumptions).....	10
(Notes in the case of significant changes in amount of shareholders' equity).....	10
(Changes in accounting policies).....	10
(Segment information).....	11
(Significant subsequent events).....	11

1. Qualitative Information on Results for the Quarter under Review

(1) Explanation on operating results

During the third quarter under review (May 1, 2023 through January 31, 2024), the Japanese economy was in a moderate recovery trend due to progress in the normalization of social and economic activities as the novel coronavirus (COVID-19) was downgraded to Class 5. Meanwhile, the outlook remains uncertain, affected by higher prices of crude oil, escalating prices of commodities associated with sudden progress in the depreciation of the yen, concerns on global economic downturn, 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, the Company is working to accelerate the pace of customer acquisitions by significantly enhancing advertising expenses in both the EC business and the Financial business. As a result, consolidated net sales for the third quarter under review were 4,299,693,000 yen (up 9.9% year on year).

In terms of expenditures, advertising expenses increased by 85.3% year on year and selling, general and administrative expenses increased by 31.3% 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 in the second quarter. As a result, the Company posted operating income of 465,209,000 yen (down 47.9% year on year), ordinary income of 466,735,000 yen (down 48.9% year on year), and net income attributable to owners of parent of 310,854,000 yen (down 45.5% 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.

Domestically, the Company actively implemented promotions in line with the launch of a new membership plan (introduction of a free plan with zero membership fees) in September, and a welcome back campaign for members who reactivate. As a result, domestic registered members and customer numbers increased significantly. These promotions and the welcome back campaign continued in the third quarter, and the pace of raising the number of registered members and buying customers continued to improve significantly in the third quarter. Meanwhile, domestic average sale per buying customer decreased due to a significant increase in the number of new buyers with a low average sale per customer. As a result, the national gross merchandise across Japan increased by 4.2% year on year.

As for overseas, the number of buying customers in the U.S. and South Korea increased, and gross merchandise value continued to grow significantly. Furthermore, the Chinese New Year, the period in which business activities usually slow down in Greater China, was pushed back to the fourth quarter in 2024, even though it fell on the third quarter in 2023. This difference resulted in accelerated purchase activities, and the growth rate of gross merchandise value in Greater China increased year on year. As a result, the gross merchandise value overseas increased by 7.1% year on year and the value of transactions of Super Delivery for the third quarter under review totaled 18,491,296,000 yen (up 5.0% year on year).

Additionally, as of the end of the third quarter under review, the number of Super Delivery members stood at 376,406 (up 43,980), the number of participating companies at 3,184 (up 57), and the number of items displayed at 1,610,195 (up 131,124), all compared on a year-on-year basis.

As a result, sales in the EC business stood at 2,464,629,000 yen (up 5.5% year on year). In terms of expenditures, advertising expenses and sales promotion expenses increased by 85.4% year on year as the Company actively implemented promotions in line with the launch of a new membership plan (introduction of a free plan with zero membership fees) and a welcome back campaign for members who reactivate. In addition, shipping costs increased, affected by the implementation of reduced international shipping costs, resulting in an increase in selling, general and administrative expenses. Consequently, segment profit was 620,633,000 yen (down 34.4% 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 demand environment for this service was favorable and the value of transactions continued to grow steadily. Consequently, the value of transactions outside the Group totaled 26,700,053,000 yen (up 18.8%) and the overall value of transactions (including 8,426,302,000 yen of transactions within the Group) stood at 35,126,355,000 yen (up 16.3%), 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. The Company is actively investing in promotions to capture customers and aired television commercials in late January. The number of 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 117,277,977,000 yen (52,681,819,000 yen for RACCOON FINANCIAL, Inc. and 64,596,157,000 yen for RACCOON RENT, Inc.), up 7.7% from the end of the previous fiscal year. As a result, sales in the Financial business stood at 2,054,428,000 yen (up 15.5% 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., continues to increase and the rate of cost of sales ratio increased slightly in the third quarter, the rate continues to be maintained within an appropriate range due to the Group's appropriate credit screening control. The Company strengthened promotional activities, resulting in advertising expenses increasing by 85.3% year on year. Consequently, segment profit totaled 358,801,000 yen (down 9.0% year on year).

(2) Explanation on the financial status

Total assets at the end of the third quarter under review amounted to 13,967,745,000 yen, down 1,210,917,000 yen from the end of the previous fiscal year. Current assets decreased 1,630,728,000 yen to 11,349,091,000 yen. The main factors causing the decrease were the decrease of 982,650,000 yen in cash and deposits due to the acquisition, etc., of treasury shares and the decrease of 385,798,000 yen in accounts receivable - trade due to decreased transactions. Non-current assets increased 419,810,000 yen to 2,618,654,000 yen. The main factors for the increase were the recording of 276,250,000 yen in newly acquired investment securities and the increase of 112,673,000 yen in software and software in progress in total.

Liabilities at the end of the third quarter under review totaled 9,061,639,000 yen, down 688,020,000 yen from the end of the previous fiscal year. Current liabilities decreased 700,658,000 yen to 9,002,065,000 yen. The main factors for the decrease were the decrease of 494,021,000 yen in accounts payable - trade due to decreased transactions, the decrease of 122,359,000 yen in income taxes payable due to interim payment, and the decrease of 50,628,000 yen in provision for bonuses. Non-current liabilities increased 12,638,000 yen to 59,573,000 yen. The main factor for the increase was the increase in lease liabilities due to new contracts.

Net assets at the end of the third quarter under review decreased 522,897,000 yen to 4,906,105,000 yen. The main factors for the decrease were the decrease of 393,865,000 yen in retained earnings due to cash dividends paid, despite the increase in retained earnings due to the recording of 310,854,000 yen in net income attributable to owners of parent for the third quarter under review, and the increase of 477,316,000 yen in treasury shares due to acquisition of treasury shares.

(3) Explanation on forecasts including consolidated results forecasts

With regard to the forecast of consolidated results for the fiscal year ending April 30, 2024, the Company has revised the forecast announced on June 12, 2023, taking into account its recent performance trends. For more details, please refer to "Notice Concerning Revisions to Full-Year Financial Forecasts" announced today.

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 third quarter of the consolidated fiscal year under review (As of January 31, 2024)
Assets		
Current assets		
Cash and deposits	5,438,387	4,455,736
Accounts receivable - trade	7,067,419	6,681,620
Rights to claim compensation	81,263	60,175
Supplies	183	205
Prepaid expenses	192,803	93,057
Other	444,712	421,688
Allowance for doubtful accounts	(244,949)	(363,391)
Total current assets	12,979,819	11,349,091
Non-current assets		
Property, plant and equipment		
Buildings	620,329	620,329
Accumulated depreciation	(107,058)	(124,694)
Buildings, net	513,271	495,634
Tools, furniture and fixtures	57,807	76,974
Accumulated depreciation	(32,992)	(39,113)
Tools, furniture and fixtures, net	24,814	37,861
Land	882,140	882,140
Total property, plant and equipment	1,420,226	1,415,636
Intangible assets		
Software	192,048	297,921
Software in progress	81,941	88,742
Other	1,141	1,157
Total intangible assets	275,131	387,821
Investments and other assets		
Investment securities	214,691	478,343
Lease and guarantee deposits	1,756	1,945
Deferred tax assets	273,797	334,826
Other	13,239	80
Total investments and other assets	503,485	815,195
Total non-current assets	2,198,843	2,618,654
Total assets	15,178,663	13,967,745

(Thousand yen)

	End of previous consolidated fiscal year (As of April 30, 2023)	End of third quarter of the consolidated fiscal year under review (As of January 31, 2024)
Liabilities		
Current liabilities		
Accounts payable - trade	7,529,982	7,035,960
Current portion of long-term borrowings	1,020,000	986,250
Accounts payable - other	196,734	239,191
Income taxes payable	167,816	45,457
Allowance for guarantees	127,909	140,796
Provision for bonuses	91,748	41,119
Provision for share-based remuneration	23,335	—
Provision for sales promotion expenses	37,510	52,530
Deposits received	26,539	27,105
Other	481,148	433,655
Total current liabilities	9,702,724	9,002,065
Non-current liabilities		
Other	46,935	59,573
Total non-current liabilities	46,935	59,573
Total liabilities	9,749,659	9,061,639
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	2,535,087
Treasury shares	(422,523)	(899,839)
Total shareholders' equity	5,315,965	4,763,209
Share acquisition rights	113,037	142,896
Total net assets	5,429,003	4,906,105
Total liabilities and net assets	15,178,663	13,967,745

(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, 2022 to January 31, 2023)	Third quarter of the consolidated fiscal year under review (From May 1, 2023 to January 31, 2024)
Net sales	3,913,641	4,299,693
Cost of sales	748,598	851,296
Gross profit	3,165,043	3,448,397
Selling, general and administrative expenses	2,272,097	2,983,187
Operating income	892,946	465,209
Non-operating income		
Commission income	2,199	1,885
Gain on investments in investment partnerships	2,134	—
Surrender value of insurance policies	18,687	5,231
Other	6,211	5,833
Total non-operating income	29,233	12,950
Non-operating expenses		
Interest expenses	3,624	2,777
Commission expenses	3,392	1,861
Loss on investments in investment partnerships	—	4,047
Commission for purchase of treasury shares	1,442	2,465
Other	547	273
Total non-operating expenses	9,006	11,424
Ordinary income	913,173	466,735
Extraordinary losses		
Impairment losses	21,326	—
Settlement payments	15,000	—
Total extraordinary losses	36,326	—
Income before income taxes	876,846	466,735
Income taxes	306,329	155,880
Net income	570,517	310,854
Net income attributable to owners of parent	570,517	310,854

(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, 2022 to January 31, 2023)	Third quarter of the consolidated fiscal year under review (From May 1, 2023 to January 31, 2024)
Net income	570,517	310,854
Comprehensive income	570,517	310,854
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	570,517	310,854

(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. Third quarter of the previous consolidated fiscal year (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.

II. Third quarter of the consolidated fiscal year under review (from May 1, 2023, to January 31, 2024)

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	2,464,629	1,835,063	4,299,693	—	4,299,693
Inter-segment sales and transfers	—	219,364	219,364	(219,364)	—
Total	2,464,629	2,054,428	4,519,057	(219,364)	4,299,693
Segment profit	620,633	358,801	979,435	(514,225)	465,209

(Notes) 1. The segment profit adjustment of minus 514,225,000 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