

Summary of Financial Results (Consolidated) For the Fiscal Year Ended April 30, 2019 (Japanese GAAP)

June 13, 2019

Listed company: Raccoon Holdings, Inc.

Stock Exchange: Tokyo Stock Exchange

Code: 3031

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

Representative: President and Representative Director, Isao Ogata

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

Tel. +81-3-5652-1711

Scheduled date of ordinary general meeting of shareholders: July 27, 2019

Scheduled date of commencement of dividend payment: July 27, 2019

Scheduled date of submission of annual securities report: July 30, 2019

Supplementary documents for financial results: Yes

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

(Rounded down to the nearest million yen)

1. Consolidated results for the fiscal year ended April 30, 2019 (May 1, 2018 through April 30, 2019)

(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	%
Year ended April 30, 2019	2,980	17.1	651	25.1	548	25.4	545	26.5	379	34.2
Year ended April 30, 2018	2,546	7.9	520	2.0	437	4.0	431	4.1	282	10.6

(Note) Comprehensive income: Year ended April 30, 2019 ¥379 million (34.2%)
Year ended April 30, 2018 ¥282 million (10.6%)

	Net income per share	Net income per share (diluted)	Return on equity	Ordinary income to total assets ratio	Operating income to net sales ratio
	Yen	Yen	%	%	%
Year ended April 30, 2019	21.05	20.68	15.7	7.3	18.4
Year ended April 30, 2018	16.05	15.61	14.0	7.4	17.2

(Reference) Equity in earnings of affiliates Year ended April 30, 2019 ¥– million
Year ended April 30, 2018 ¥– million

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of April 30, 2019	8,848	2,697	30.4	144.86
As of April 30, 2018	6,056	2,133	35.2	119.67

(Reference) Shareholders' equity As of April 30, 2019 ¥2,689 million
As of April 30, 2018 ¥2,131 million

(3) Consolidated cash flows

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents at end of year
	Million yen	Million yen	Million yen	Million yen
As of April 30, 2019	-542	-1,705	2,416	2,323
As of April 30, 2018	374	-97	-113	2,155

2. Dividends

	Dividend per share					Total amount of dividends	Payout ratio (consolidated)	Dividend on equity ratio (consolidated)
	End of Q1	End of Q2	End of Q3	Year end	Annual			
Year ended April 30, 2018	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Year ended April 30, 2018	-	0.00	-	5.20	5.20	92	32.4	4.6
Year ended April 30, 2019	-	0.00	-	6.00	6.00	111	28.5	4.5
Year ending April 30, 2020 (forecast)	-	-	-	-	-		-	

(Note 1) The dividend forecast for the end of the fiscal year ending April 30, 2020 is yet to be determined.

3. Forecast of consolidated results for the fiscal year ending April 30, 2020 (May 1, 2019 through April 30, 2020)

(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
First half	-	-	-	-	-	-	-	-	-	-	-
Full year	3,450	15.8	810	24.3	670	22.1	670	22.8	425	12.0	22.89

* Notes

(1) Important changes in subsidiaries during the fiscal year (changes in specified subsidiaries resulting in change in the scope of consolidation): Yes

2 new companies (Company name) RACCOON COMMERCE, Inc., ALEMO Inc.

(2) 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

(3) Number of issued shares (common shares)

(i) Number of issued shares (including treasury stock) at the end of the fiscal year			
April 30, 2019	19,024,200	April 30, 2018	18,680,400
(ii) Number of treasury stock shares at the end of the fiscal year			
April 30, 2019	460,657	April 30, 2018	870,656
(iii) Average number of issued shares during the fiscal year			
Year ended April 30, 2019	18,030,061	Year ended April 30, 2018	17,625,370

* This Summary of Financial Results is not required to be audited 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, included in this document are based on information that the Company has obtained and certain assumptions that the Company considers reasonable. The Company does not guarantee its achievement of the forward-looking statements. Actual results may differ significantly from them depending on a variety of factors. For the assumptions underlying the results forecasts and notes on their use, please refer to 1. Overview of Operating results, etc., (4) Future prospects on page 6 of the accompanying materials.

(How to obtain supplementary documents for financial results and information on results briefings)

The Company will hold a results briefing session for institutional investors and securities analysts on Monday, June 17, 2019. The Company will post a video of the briefing session and materials to be used in the session on its website as soon as the session ends.

○ Contents of Accompanying Materials

1. Overview of operating results, etc.	4
(1) Overview of operating results for the fiscal year ended April 30, 2019.....	4
(2) Overview of the financial status for the fiscal year under review.....	5
(3) Overview of the cash flows for the fiscal year under review.....	6
(4) Future prospects.....	6
2. Consolidated Financial Statements and Significant Notes.....	7
(1) Consolidated balance sheets.....	7
(2) Consolidated statements of income and consolidated statements of comprehensive income.....	9
(3) Consolidated statements of changes in net assets.....	11
(4) Consolidated statements of cash flows.....	12
(Segment information).....	13

1. Overview of operating results, etc.

(1) Overview of operating results for the fiscal year ended April 30, 2019

During the fiscal year under review (May 1, 2018, through April 30, 2019), the Japanese economy remained solid backed by continued improvement in employment and increase in capital investment against the backdrop of strong corporate earnings despite concerns over economic stagnation due to the impact of natural disasters such as record rainfall, typhoons and earthquakes. However, overseas economies face uncertainties with growing concerns over slowdown of the global economy due to the impact of deepening U.S.-China trade friction, unsettled UK Brexit issues and such.

In this environment, the Raccoon Group worked to expand the infrastructure services it offers for business-to-business transactions based on the management philosophy of making corporate activities more efficient and convenient. On the other hand, it made a transition to a holding company structure in the third quarter of the fiscal year under review. It plans to accelerate the growth speed of existing businesses through the transition as well as achieve strong growth of sales and profits of the entire group by proactively creating new businesses and conducting M&As. The Raccoon Group acquired all the shares of ALEMO Inc., which offers rent guarantee services mainly for residential properties for individuals, on December 7, 2018 and made it a subsidiary. It incorporated the business performance with September 30, 2018 as the deemed acquisition date. As a result, consolidated net sales increased in all segments again in the fiscal year under review, reaching 2,980,398,000 yen (up 17.1% year on year) to realize double-digit growth.

In terms of expenditure, brokerage fees of 26,407,000 yen was recorded as temporary expenses related to the acquisition of the shares of ALEMO Inc. Amortization of goodwill associated with the incurrence of the said goodwill of 19,122,000 yen was recorded, resulting in an increase in amortization of goodwill. In addition, although personnel cost increased due to an increase in the number of employees in line with the acquisition of the subsidiary, other selling, general, and administrative expenses remained modest. As a result, consolidated operating income amounted to 548,725,000 yen (up 25.4% year on year) and consolidated ordinary income amounted to 545,697,000 yen (up 26.5% year on year). Furthermore, expenses for reorganization related to the transition to a holding company structure of 21,888,000 yen was recorded as extraordinary losses, resulting in consolidated net income attributable to owners of parent of 379,545,000 yen (up 34.2% year on year). In addition, as described in “Notice Concerning Future Management Policy” announced on November 1, 2018, the Company has newly adopted EBITDA as the key performance indicator starting from the documents for the first two quarters of the fiscal year under review. EBITDA for the fiscal year under review stood at 651,427 yen (up 25.1% year on year).

As described in “Notice Concerning Change in Reporting Segments” (Japanese only) announced on June 8, 2018, the Paid business and the Guarantee business were consolidated and positioned in the same reporting segment category as the Financial business. In line with this change, year-on-year comparison is presented using figures which we have modified in the respective period to suit the segment after the change. For details of the change, please refer to “3. Quarterly Consolidated Financial Statements and Major Notes, (Segment information).

Results by segment are as follows:

(i) EC business

Super Delivery, the mainstay service in the EC business, expanded its target from conventional domestic retailers to include domestic businesses other than retailers and overseas businesses in response to an increase in demand from these sectors for purchases based on the growth of the business and the expansion of the EC market in the B-to-B businesses. Currently, therefore, the Company is working to increase the value of transactions by executing a strategy for growing purchase demand in each customer segment, along with a strategy for facilitating transaction growth in an expanding market. In the fourth quarter of the fiscal year under review, the Company continued to put forth efforts to introduce more cost-effective logistics services for Asia, and introduced low-cost flights for South Korea and consolidated container services for Hong Kong. In addition, the Company worked to increase member retailers with strong buyer motivation by implementing SEO measures and posting more advertisement in SNS. With these efforts, the transaction value in industries other than retail in the domestic market continued to rise significantly and the transaction value in the retail industry also showed a positive year-on-year growth in the fourth quarter of the fiscal year under review. As a result, the overall transaction value in the domestic market increased 1.1% year on year during the fiscal year under review. The value of overseas transactions (the sum of SD export and overseas transactions via the Japanese-language website) increased steadily by 44.4% year on year. As a result, the total value of transactions in the Super Delivery service reached 11,244,752,000 yen (up 6.2% year on year).

As to the Super Delivery service, the number of member retailers was 127,162 (up 29,962 from the end of the previous fiscal year), the number of companies posting information on their products was 1,419 (up 147 from the end of the previous fiscal year), and the number of items displayed was 874,943 (up 163,310 from the end of the previous fiscal year) at the end of the fiscal year under review.

Sales in the EC business stood at 1,763,055,000 yen (up 4.0% year on year), and segment profit was 714,528,000 yen (up 10.8% year on year).

(ii) Financial business

In Paid, the Company made efforts to increase the operating rate of the acquired member companies. The number of member companies steadily increased to reach 3,300 at the end of the fiscal year under review, and the value of transactions outside the Group stood at 16,323,745,000 yen (up 34.3% year on year) due to an increase in the number of companies with sales and in sales per company as well as to an improvement in the operating rate during the fiscal year under review. As a result, the overall value of transactions (including 6,721,840,000 yen of transactions within the Group) came to 23,045,586,000 yen (up 21.0% year on year).

In Guarantee, the Company continued to press ahead with business collaborations with local financial institutions in the T&G Credit Guarantee service and URIHO to expand sales channels. As to rent guarantee services, we worked to increase name recognition of the services for both business and residential properties among real estate companies. Guarantees outstanding at the end of the fiscal year under review amounted to 62,945,450,000 yen (21,492,574,000 yen for RACCOON FINANCIAL, Inc. and 41,452,875,000 yen for ALEMO Inc.) (up 276.7% from the end of the previous fiscal year).

As a result, sales amounted to 1,392,280 yen (up 35.1% year on year). Furthermore, brokerage fees of 26,407,000 yen was recorded as temporary expenses related to the acquisition of the shares of ALEMO Inc. in selling, general and administrative expenses in the financial business. In addition, amortization of goodwill associated with the incurrence of the said goodwill of 19,122,000 yen was recorded, resulting in an increase in amortization of goodwill, and segment profit amounted to 142,834,000 yen (up 87.3% year on year).

(2) Overview of the financial status for the fiscal year under review

Total assets at the end of the fiscal year under review increased 2,791,288,000 yen from the end of the previous fiscal year to 8,848,060,000 yen. Current assets increased 912,313,000 yen to 6,493,237,000 yen. The main factors for the increase are the increase of 170,922,000 yen in cash and deposits due to the impact of the increase in net income attributable to owners of parent in addition to the increase of 843,151,000 yen in accounts receivable - trade due to the increased transactions. Non-current assets increased 1,878,974,000 yen to 2,354,823,000 yen. Major factors for the increase are recording of 877,903,000 yen for land and 593,759,000 yen for building in line with the acquisition of the head office building; and an increase of 298,970,000 yen due to the impact of recording of 327,813,000 yen of goodwill in line with the acquisition of the shares of ALEMO Inc.

Liabilities at the end of the fiscal year under review increased 2,227,150,000 yen from the end of the previous fiscal year to 6,150,418,000 yen. Current liabilities increased 844,518,000 yen to 4,729,845,000 yen. The main factors for the increase are the increase of 186,664,000 yen in current portion of long-term loans payable and the increase of 700,000,000 yen in short-term loans payable due to the execution of new borrowings. Non-current liabilities increased 1,382,631,000 yen to 1,420,572,000 yen. The main factor for the increase is the increase of 1,363,338,000 yen in long-term loans payable due to the execution of new borrowings of 1,700,000,000 yen.

Net assets at the end of the fiscal year under review increased 564,137,000 yen from the end of the previous fiscal year to 2,697,642,000 yen. The main factors for the increase are the increase of retained earnings due to the recording of 379,545,000 yen as net income attributable to owners of parent while retained earnings decreased 92,610,000 yen due to payment of cash dividends, the increase of a total of 153,203,000 yen in capital stock and legal capital surplus due to the exercising of subscription rights to shares and the decrease of 117,794,000 yen in treasury shares

(3) Overview of cash flows for the fiscal year under review

Cash and cash equivalents (the “funds”) at the end of the fiscal year under review stood at 2,323,730,000 yen.

(Net cash provided by (used in) operating activities)

Net cash provided by operating activities decreased 569,335,000 yen during the fiscal year under review. The main factor for this is the increase of 102,702,000 yen in depreciation due to the recording of 523,809,000 yen as income before income taxes and the recording of 19,122,000 yen as amortization of goodwill from the acquisition of the shares of ALEMO Inc. On the other hand, the amount of increase for notes and accounts payable – trade was 778,424,000 yen less because the payment date of accounts payable – trade, which is usually May, was moved up to April due to the Golden Week, which was a 10-day holiday this year. Other factors are deposits received decreasing by 392,259,000 yen and payables associated with liquidation of receivables decreasing 141,000,000 yen due to the cancellation of liquidation of accounts receivable.

(Net cash provided by (used in) investing activities)

Net cash provided by investing activities decreased 1,679,165,000 yen during the fiscal year under review. The main factors for this are purchase of property, plant and equipment amounting to 1,468,200,000 yen due to the acquisition of the head office building and purchase of shares of subsidiaries resulting in change in scope of consolidation amounting to 186,214,000 yen due to the acquisition of the shares of ALEMO Inc.

(Net cash provided by (used in) financing activities)

Net cash provided by financing activities decreased 2,416,788,000 yen during the fiscal year under review. The main factors for this are the recording of 1,700,000,000 yen as proceeds from long-term loans payable in line with new borrowings and the increase of 700,000,000 yen in short-term loans payable.

(4) Future prospects

All services posted an increase in revenues and income for the fiscal year ended April 30, 2019, and all existing services are expected to see continuous growth for the fiscal year ending April 2020 as well. Continuing with the policy to proactively make investment in advertisement, the Company intends to increase the number of customers and the operating rate by drawing customers through new advertisements targeting not only customers but also those who are potential customers in the fiscal year ending April 2020. To this end, the Company plans to increase investment in advertisement by around 60,000,000 yen from the previous fiscal year. In addition, the Company will seek to expand the business base by working to improve convenience and reliability of the services through investment in systems, which the Company has been making since before.

The Company shifted to a holding company structure in November 2018. While the Company has indicated that it plans to create new businesses and conduct M&A as measures to implement growth strategies for the entire Group, these activities involve a great deal of uncertainty and are therefore not included in the financial forecasts for the fiscal year ending April 30, 2020.

The Company forecasts that net sales will be 3,450 million yen, EBITDA will be 810 million yen, operating income will be 670 million yen, ordinary income will be 670 million yen, and net income attributable to owners of parent will be 425 million yen in the fiscal year ending April 30, 2020.

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. Consolidated Financial Statements and Significant Notes

(1) Consolidated balance sheets

(Thousand yen)

	Previous fiscal year (As of April 30, 2018)	Fiscal year under review (As of April 30, 2019)
Assets		
Current assets		
Cash and deposits	2,158,811	2,329,734
Accounts receivable - trade	3,122,333	3,965,484
Rights to claim compensation	72,394	33,041
Supplies	123	114
Merchandise	13,380	—
Prepaid expenses	158,102	163,563
Other	62,719	173,589
Allowance for doubtful accounts	(6,942)	(172,291)
Total current assets	5,580,923	6,493,237
Non-current assets		
Property, plant and equipment		
Buildings	22,122	615,881
Accumulated depreciation	(14,904)	(16,784)
Buildings, net	7,218	599,097
Vehicles	—	3,537
Accumulated depreciation	—	(3,537)
Vehicles, net	—	0
Tools, furniture and fixtures	44,695	47,358
Accumulated depreciation	(31,229)	(39,101)
Tools, furniture and fixtures, net	13,466	8,257
Land	—	877,903
Total property, plant and equipment	20,685	1,485,258
Intangible assets		
Software	162,393	172,109
Software in progress	20,333	24,099
Goodwill	25,110	324,080
Other	2,857	2,487
Total intangible assets	210,693	522,777
Investments and other assets		
Investment securities	120,051	120,362
Lease and guarantee deposits	43,304	12,337
Deferred tax assets	81,064	204,036
Other	50	10,051
Total investments and other assets	244,470	346,787
Total non-current assets	475,849	2,354,823
Total assets	6,056,772	8,848,060

(Thousand yen)

	Previous fiscal year (As of April 30, 2018)	Fiscal year under review (As of April 30, 2019)
Liabilities		
Current liabilities		
Accounts payable - trade	2,863,899	2,961,539
Short-term loans payable	-	700,000
Current portion of long-term loans payable	25,000	211,664
Payables associated with liquidation of receivables	141,000	-
Accounts payable - other	47,743	73,473
Income taxes payable	95,197	244,084
Allowance for guarantees	45,299	83,472
Provision for bonuses	43,371	51,498
Provision for sales promotion expenses	9,950	7,910
Deposits received	408,970	17,543
Other	204,894	378,660
Total current liabilities	3,885,326	4,729,845
Non-current liabilities		
Long-term loans payable	-	1,363,338
Asset retirement obligations	2,838	3,673
Other	35,102	53,561
Total non-current liabilities	37,941	1,420,572
Total liabilities	3,923,267	6,150,418
Net assets		
Shareholders' equity		
Capital stock	834,227	846,224
Capital surplus	221,699	362,906
Retained earnings	1,325,490	1,612,425
Treasury shares	(250,143)	(132,348)
Total shareholders' equity	2,131,273	2,689,206
Subscription rights to shares	2,231	8,435
Total net assets	2,133,504	2,697,642
Total liabilities and net assets	6,056,772	8,848,060

(2) Consolidated statements of income and consolidated statements of comprehensive income
(Consolidated statements of income)

(Thousand yen)

	Previous fiscal year (From May 1, 2017 to April 30, 2018)	Fiscal year under review (From May 1, 2018 to April 30, 2019)
Net sales	2,546,080	2,980,398
Cost of sales	440,475	610,392
Gross profit	2,105,604	2,370,005
Selling, general and administrative expenses	1,667,915	1,821,280
Operating income	437,689	548,725
Non-operating income		
Commission fee	3,351	2,940
Gain on investments in partnership	—	6,511
Miscellaneous income	1,179	1,555
Total non-operating income	4,531	11,007
Non-operating expenses		
Interest expenses	837	1,847
Expenses for liquidation of receivables	5,512	4,515
Commission fee	—	539
Loss on investments in partnership	2,411	—
Issuance cost of subscription rights to shares	—	5,615
Taxes and dues	1,330	—
Miscellaneous loss	627	1,515
Total non-operating expenses	10,719	14,034
Ordinary income	431,501	545,697
Extraordinary losses		
Reorganization-related expenses	—	21,888
Loss on cancellation of contracts	8,808	—
Total extraordinary losses	8,808	21,888
Income before income taxes	422,693	523,809
Income taxes - current	150,027	267,235
Income taxes - deferred	(10,255)	(122,971)
Total income taxes	139,772	144,263
Net income	282,920	379,545
Net income attributable to owners of parent	282,920	379,545

(Consolidated statements of comprehensive income)

(Thousand yen)

	Previous fiscal year (From May 1, 2017 to April 30, 2018)	Fiscal year under review (From May 1, 2018 to April 30, 2019)
Net income	282,920	379,545
Comprehensive income	282,920	379,545
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	282,920	379,545

(3) Consolidated statements of changes in net assets

Previous fiscal year (from May 1, 2017 to April 30, 2018)

(Thousand yen)

	Shareholders' equity					Subscription rights to shares	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity		
Amount at beginning of period	823,392	210,864	1,121,316	(250,065)	1,905,507	2,476	1,907,984
Changes of items during period							
Issuance of new shares	10,835	10,835			21,670		21,670
Dividends of surplus			(78,747)		(78,747)		(78,747)
Net income attributable to owners of parent			282,920		282,920		282,920
Purchase of treasury shares				(77)	(77)		(77)
Disposal of treasury shares							
Net changes of items other than shareholders' equity						(245)	(245)
Total changes of items during period	10,835	10,835	204,173	(77)	225,766	(245)	225,520
Amount at end of period	834,227	221,699	1,325,490	(250,143)	2,131,273	2,231	2,133,504

Fiscal year under review (from May 1, 2018 to April 30, 2019)

(Thousand yen)

	Shareholders' equity					Subscription rights to shares	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity		
Amount at beginning of period	834,227	221,699	1,325,490	(250,143)	2,131,273	2,231	2,133,504
Changes of items during period							
Issuance of new shares	11,997	11,997			23,994		23,994
Dividends of surplus			(92,610)		(92,610)		(92,610)
Net income attributable to owners of parent			379,545		379,545		379,545
Purchase of treasury shares				(0)	(0)		(0)
Disposal of treasury shares		129,209		117,794	247,004		247,004
Net changes of items other than shareholders' equity						6,204	6,204
Total changes of items during period	11,997	141,206	286,935	117,794	557,933	6,204	564,137
Amount at end of period	846,224	362,906	1,612,425	(132,348)	2,689,206	8,435	2,697,642

(4) Consolidated statements of cash flows

(Thousand yen)

	Previous fiscal year (From May 1, 2017 to April 30, 2018)	Fiscal year under review (From May 1, 2018 to April 30, 2019)
Cash flows from operating activities		
Income before income taxes	422,693	523,809
Depreciation	82,969	102,702
Increase (decrease) in allowance for doubtful accounts	1,129	165,281
Increase (decrease) in allowance for guarantees	12,146	26,296
Interest and dividend income	(24)	(25)
Interest expenses paid on loans and bonds	837	1,847
Loss (gain) on investments in partnership	2,411	(6,511)
Decrease (increase) in notes and accounts receivable - trade	(290,722)	(842,557)
Decrease (increase) in rights to claim compensation	(6,343)	46,061
Decrease (increase) in inventories	(9,720)	13,389
Increase (decrease) in notes and accounts payable - trade	264,618	97,639
Increase (decrease) in deposits received	6,688	(392,259)
Increase (decrease) in payables associated with liquidation of receivables	—	(141,000)
Increase (decrease) in advances received	33,765	(25,415)
Decrease (increase) in prepaid expenses	39,745	18,318
Decrease/increase in consumption taxes receivable/payable	(12,828)	(54,495)
Other	(25,781)	62,732
Subtotal	521,585	(404,185)
Interest and dividend income received	24	25
Interest expenses paid	(801)	(2,341)
Income taxes paid	(146,531)	(162,832)
Cash flows provided by (used in) operating activities	374,275	(569,335)
Cash flows from investing activities		
Purchase of property, plant and equipment	(320)	(1,468,200)
Purchase of intangible assets	(71,459)	(66,129)
Purchase of investment securities	(25,000)	—
Proceeds from distributions from investment partnerships	—	6,000
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(186,214)
Payments for lease and guarantee deposits	(1,112)	—
Proceeds from refund of leasehold and guarantee deposits	—	35,182
Other	(35)	195
Cash flows provided by (used in) investing activities	(97,927)	(1,679,165)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	—	700,000
Proceeds from long-term loans payable	—	1,700,000
Repayments of long-term loans payable	(50,000)	(161,678)
Cash dividends paid	(78,747)	(92,610)
Proceeds from issuance of share acquisition rights	—	8,011
Proceeds from issuance of shares resulting from exercise of subscription rights to shares	21,424	23,722
Purchase of treasury shares	(77)	(0)
Proceeds from disposal of treasury shares resulting from exercise of subscription rights to shares	—	246,000
Other	(6,252)	(6,655)
Cash flows provided by (used in) financing activities	(113,652)	2,416,788
Net increase (decrease) in cash and cash equivalents	162,696	168,287
Cash and cash equivalents at beginning of period	1,992,746	2,155,442
Cash and cash equivalents at end of period	2,155,442	2,323,730

(Segment information)

a. Segment information

1. Overview of reporting segments

The reporting segments of the Company are units of the Company for which separate financial statements are available and whose situation the Board of Directors regularly reviews to determine the allocation of management resources and evaluate performance.

The Company provides convenient services to facilitate transactions among small and medium-sized enterprises and has business divisions and subsidiaries in accordance with the classifications of services. Each business division and subsidiary works to improve services and increase sales and profits.

The Company incorporated a holding company structure effective on November 1, 2018. Due to the transition, the Paid business and the Guarantee business, which were separate reporting segments, are consolidated to one segment with a new name "Financial business" from the first quarter, considering their strong relevance as well as the change in the Group management environment represented by the structural transition to a holding company. Furthermore, the amounts for ALEMO Inc. which became a new consolidated subsidiary in the third quarter of the fiscal year under review are recorded in "Financial business." As a result, the Company now has two reporting segments: the EC business and the Financial business.

The EC business mainly operates Super Delivery, a website for business-to-business (B-to-B) transactions. The Financial business operates Paid, a deferred payment service for B-to-B transactions; T&G Credit Guarantee service and URIHO, services that guarantee that accounts receivable for business transactions will be paid; and rent guarantee services.

In addition, the Company has changed the treatment of company-wide expenses pertaining to the group operation, which was previously included in the EC business, to record as expenses under adjustment of segment profit. In tandem with such, the Company has started to collect management consulting fees, etc. appropriate for the organizational structure after the transition to a holding company, from each reporting segment. Management consulting fees, etc. are recorded as expenses in each segment, and recorded as company-wide revenues in adjustment of segment profit. Therefore, in comparison with the past treatment, segment profit for the EC business has increased while that for the Financial business has decreased. Furthermore, the amount of adjustment, which is deducted from the total amount of profit for reporting segments, has increased.

The disclosed segment information for the previous fiscal year is prepared based on the reporting segment category and calculation method after the change.

2. Methods used to calculate the amounts of sales, profits or losses, assets, liabilities and other items in each reporting segment

The accounting methods for the reporting segments are almost the same as those stated in the Significant Matters That Serve as the Basis for the Preparation of Consolidated Financial Statements.

Segment profits are based on operating income.

Inter-segment internal revenues and transfers are based on prevailing market prices.

3. Sales, profits or losses, assets, liabilities and other items in each reporting segment

Previous fiscal year (from May 1, 2017 to April 30, 2018)

(Thousand yen)

	Reporting segment			Adjustment (Note 1)	Consolidated financial statement amount (Notes 2, 3, and 4)
	EC	Financial	Total		
Sales					
Sales to external customers	1,695,226	850,853	2,546,080	—	2,546,080
Inter-segment sales and transfers	—	179,409	179,409	(179,409)	—
Total	1,695,226	1,030,263	2,725,490	(179,409)	2,546,080
Segment profit	645,144	76,260	721,404	(283,715)	437,689
Segment assets	1,953,395	4,123,166	6,076,561	(19,788)	6,056,772
Segment liabilities	1,126,614	3,573,343	4,699,957	(776,689)	3,923,267
Other items					
Depreciation	34,447	26,460	60,907	12,342	73,249
Amortization of goodwill	—	9,720	9,720	—	9,720
Extraordinary losses	—	—	—	8,808	8,808
Increase in property, plant and equipment and intangible assets	39,716	20,091	59,807	15,864	75,671

(Notes) 1. The segment profit adjustment of minus 283,715,000 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 consolidated statements of income.
3. Segment assets are adjusted to total assets in the consolidated balance sheets.
4. Segment liabilities are adjusted to total liabilities in the consolidated balance sheets.

Fiscal year under review (from May 1, 2018 to April 30, 2019)

(Thousand yen)

	Reporting segment			Adjustment (Note 1)	Financial statement amount (Notes 2, 3, and 4)
	EC	Financial	Total		
Sales					
Sales to external customers	1,763,055	1,217,342	2,980,398	—	2,980,398
Inter-segment sales and transfers	—	174,937	174,937	(174,937)	—
Total	1,763,055	1,392,280	3,155,335	(174,937)	2,980,398
Segment profit	714,528	142,834	857,363	(308,637)	548,725
Segment assets	2,059,511	4,772,318	6,831,829	2,016,231	8,848,060
Segment liabilities	1,453,875	4,257,469	5,711,345	439,072	6,150,418
Other items					
Depreciation	37,490	29,082	66,572	7,286	73,859
Amortization of goodwill		28,842	28,842	-	28,842
Extraordinary losses	2,531	1,294	3,826	18,061	21,888
Increase in property, plant and equipment and intangible assets	33,524	28,838	62,362	1,481,866	1,544,229

(Notes) 1. The segment profit adjustment of minus 308,637,000 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 consolidated statements of income.
3. Segment assets are adjusted to total assets in the consolidated balance sheets.
4. Segment liabilities are adjusted to total liabilities in the consolidated balance sheets.

b. Related information

Previous fiscal year (from May 1, 2017 to April 30, 2018)

1. Information by product and service

The classifications of products and services are identical to the reporting segments, and the information is omitted.

2. Information by region

(1) Sales

Sales to external customers in Japan account for more than 90% of sales in the consolidated statements of income, and the information is omitted.

(2) Property, plant and equipment

The Company does not have any property, plant and equipment outside Japan, and the information is omitted.

3. Information by major customer

No external customer accounts for 10% or more of sales in the consolidated statements of income, and the information is omitted.

Fiscal year under review (from May 1, 2018 to April 30, 2019)

1. Information by product and service

The classifications of products and services are identical to the reporting segments, and the information is omitted.

2. Information by region

(1) Sales

Sales to external customers in Japan account for more than 90% of sales in the consolidated statements of income, and the information is omitted.

(2) Property, plant and equipment

The Company does not have any property, plant and equipment outside Japan, and the information is omitted.

3. Information by major customer

No external customer accounts for 10% or more of sales in the consolidated statements of income, and the information is omitted.

c. Information on impairment loss on non-current assets by reporting segment

Previous consolidated fiscal year (from May 1, 2017 to April 30, 2018)

Not applicable.

Fiscal year under review (from May 1, 2018 to April 30, 2019)

Not applicable.

d. Information on the amortization and unamortized balance of goodwill by reporting segment

Previous fiscal year (from May 1, 2017 to April 30, 2018)

(Thousand yen)

	EC	Financial	Elimination or corporate	Total
Amortization	—	9,720	—	9,720
Unamortized balance	—	25,110	—	25,110

Fiscal year under review (from May 1, 2018 to April 30, 2019)

(Thousand yen)

	EC	Financial	Elimination or corporate	Total
Amortization	—	28,842	—	28,842
Unamortized balance	—	324,080	—	324,080

e. Information on gain on bargain purchase by reporting segment

Not applicable