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**Consolidated Financial Results for the
Nine Months Ended December 31, 2020
[Japanese GAAP]**

February 12, 2021

Company name: Raysum Co., Ltd.

Stock exchange listing: Tokyo Securities Exchange

Code number: 8890

URL: <http://www.raysum.co.jp/>

Representative: Tsuyoshi Komachi, President and Representative Director

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Scheduled date for filing of quarterly securities report: February 12, 2021

Scheduled date of commencing dividend payments: —

Availability of supplementary briefing material on financial results: None

Schedule of financial results briefing session: None

(Figures are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Nine Months Ended December 31, 2020 (April 1, 2020 to December 31, 2020)

(1) Consolidated Results of Operations (% indicates changes from the previous corresponding period)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Nine months ended December 31, 2020	17,277	(14.0)	1,086	(49.4)	804	(58.9)	568	(59.7)
Nine months ended December 31, 2019	20,100	(59.7)	2,146	(76.7)	1,955	(78.7)	1,413	(76.6)

(Note) Comprehensive income: Nine months ended December 31, 2020: ¥532 million (-63.0%)
Nine months ended December 31, 2019: ¥1,438 million (-74.6%)

	Profit per share	Diluted profit per share
	yen	yen
Nine months ended December 31, 2020	15.54	-
Nine months ended December 31, 2019	36.95	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
Nine months ended December 31, 2020	106,774	46,722	43.8
Nine months ended March 31, 2020	91,502	49,040	53.6

(Reference) Equity: As of December 31, 2020: ¥46,722 million
As of March 31, 2020: ¥49,040 million

2. Dividends

	Annual Dividends				
	Q1 end	Q2 end	Q3 end	Year end	Total
	yen	yen	yen	yen	yen
Fiscal year ended March 31, 2020	—	0.00	—	45.00	45.00
Fiscal year ending March 31, 2021	—	0.00	—		
Fiscal year ending March 31, 2021 (Forecast)				—	—

(Note) Changes to the most recent dividend forecast announced: Not applicable

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2021 (April 1, 2020 to March 31, 2021)

The consolidated financial results forecast is yet to be decided as it is difficult to reasonably estimate the impact of the spread of COVID-19 on business activities and management results as of now.

*Notes

- (1) Significant changes of subsidiaries in the first nine months of the fiscal year under review (affecting specified subsidiaries resulting in changes in scope of consolidation): Yes
New: One company (Raysum Capital Co., Ltd.)
- (2) Application of accounting method specific to preparation of quarterly consolidated financial statements:
Not applicable
- (3) Changes in accounting policies, changes in accounting estimates and restatements
 - 1) Changes in accounting policies due to the revision of accounting standards: Not applicable
 - 2) Any changes in accounting policies other than 1) above: Not applicable
 - 3) Changes in accounting estimates: Not applicable
 - 4) Restatements: Not applicable

(4) Total number of issued shares (common stock)

1) Total number of issued shares at the end of the period (including treasury stock):

Nine months ended December 31, 2020	46,081,400 shares
Fiscal year ended March 31, 2020	46,081,400 shares

2) Total number of treasury stock at the end of the period:

Nine months ended December 31, 2020	9,426,586 shares
Fiscal year ended March 31, 2020	8,101,586 shares

3) Average number of shares during the period:

Nine months ended December 31, 2020	36,617,842 shares
Nine months ended December 31, 2019	38,259,097 shares

* This quarterly consolidated financial statement is not subject to the quarterly review by a certified accountant or auditing company.

* Explanation of the proper use of performance forecast and other notes

(Note on forward-looking statements, etc.)

Performance forecasts and other forward-looking statements presented in this report are based on information currently available to the Company and certain assumptions deemed to be reasonable, and are not to be read as guarantees of future performance by the Company. In addition, actual performance may differ substantially due to various factors.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Results of Operations

The consolidated financial results for the first nine months of the fiscal year under review recorded net sales of 17,277 million yen (year-on-year decrease of 14.0%), operating profit of 1,086 million yen (year-on-year decrease of 49.4 %), ordinary profit of 804 million yen (year-on-year decrease of 58.9 %), and profit attributable to owners of parent of 568 million yen (year-on-year decrease of 59.7%).

While social and economic activities are restricted due to the spread of COVID-19, the Group was also impacted during the period. Although domestic economic activities still remain unpredictable, the Group is determined to improve business results with the aim of being able to provide value that is truly needed by society even under the pandemic and which satisfies our clients.

Business results by segment are as follows.

(Wealth Management Business)

In this business, we work out schemes for each high-net-worth individual suited to objectives such as respective clients' asset formation and provide relevant properties with future potential. The products cover a wide range of properties from commercial/office buildings, residential, accommodation facilities and educational facilities to medical facilities among others, and come with a diversified price range from some hundred million yen to as high as over some ten billion yen.

Furthermore, we have worked on development of operation-type products to create businesses that can generate higher rent-paying capabilities by addressing future social issues. We have launched community hostels, advanced medical care surgery centers, community-based restaurants and such, and are offering products that incorporate these.

In the first nine months of the fiscal year under review, the Wealth Management Business posted 13,032 million yen (year-on-year decrease of 9.5%) in net sales, and segment income of 1,933 million yen (year-on-year increase of 0.7%).

Although there was an impact of restricted economic activities due to the spread of COVID-19, we have carefully selected properties that can create sufficient value for our company upon purchase; and as for development properties and large-scale renovation, we have refrained from making hasty responses and worked while discerning the right timing for commercialization.

With regard to sales, while customers have also been careful in assessing the situation, we have not only continued to respond to individual investors who have shown strong investment appetite but also reinforced responses to institutional investors with a strong appetite for asset management.

Particularly because of these circumstances, we are determined to continue providing real estate that will be needed by society and can satisfy the potential investment appetite of our customers.

(Property Management Business)

In order to achieve the property-owning objectives of clients who own income properties purchased from our company, this business seeks to attract optimal tenants and make various arrangements in order to make the most efficient use of properties in various usage categories and provides detailed building leasing and management services.

While we have recognized risks, such as requests for postponement/reduction/exemption of rent payment, delinquent payment and talks on possible move-outs due to restricted social activities brought about by the spread of COVID-19, these have not been visible in the first nine months of the fiscal year under review and we have provided careful and fine-tuned responses to each tenant.

In the first nine months of the fiscal year under review, the Property Management Business posted 3,350 million yen (year-on-year decrease of 12.5%) in net sales and 785 million yen (year-on-year decrease of 20.6%) in segment income.

(Other Business)

In this segment, Asset Holdings, Ltd., a consolidated subsidiary of the Company, runs Raysum Golf & Spa Resort, a golf course, WeBase Co, Ltd. runs community hostels, and LIBERTE JAPON Co., Ltd. runs stores of LIBERTE PÂTISSERIE BOULANGERIE from Paris, France, in Japan. Furthermore, RayPower Inc. develops, manufactures, and sells gas engine-driven power generators, and Best Medical Co., Ltd. supports new openings of clinics, engaging in business supporting advanced medical services.

In the third quarter of the fiscal year under review (October 2020 to December 2020), Asset Holdings Co., Ltd., WeBase Co., Ltd., and LIBERTE JAPON Co., Ltd. were impacted by the self-restraint in outings and travel restrictions, etc. caused by the spread of COVID-19 albeit not as severely as in the first quarter of the fiscal year under review (April 2020 to June 2020). However, we have sincerely carried out what we could to continue with business activities and further strengthen bonds with communities in order to fulfill our role as a social infrastructure while taking measures to prevent the spread of infection.

In the first nine months of the fiscal year under review, the segment's net sales totaled 893 million yen (year-on-year decrease of 52.4%) partially due to the direct impact of the spread of COVID-19; and loss was 1,210 million yen (loss of 342 million yen in the same period of the previous fiscal year).

(2) Explanation of Financial Position

1) Changes in Financial Position

[Assets]

Current assets increased by 14,129 million yen compared with the end of the previous fiscal year to 95,336 million yen.

This was primarily attributable to cash and deposits decreasing 8,752 million yen to 20,572 million yen, real estate for sale increasing 16,990 million yen to 47,486 million yen and real estate for sale in process increasing 5,071 million yen to 22,966 million yen.

Noncurrent assets increased by 1,143 million yen from the end of the previous fiscal year to 11,438 million yen.

This was primarily attributable to an increase of 1,236 million yen in property, plant and equipment from the increase due to acquisition and decrease due to depreciation; a decrease of 51 million yen in intangible assets; and a decrease of 41 million yen in investments and other assets.

As a result, total assets as at the end of the third quarter of the fiscal year under review increased by 15,272 million yen compared with the end of the previous fiscal year to 106,774 million yen.

[Liabilities]

Liabilities increased by 17,591 million yen compared with the end of the previous fiscal year to 60,052 million yen.

This was primarily attributable to an increase of 18,542 million yen in loans payable due to the difference between new fundraising and repayment of loans payable, a decrease of 398 million yen in income tax payable due to partial payment of income tax payable for the previous fiscal year, a decrease of 263 million yen in advances received due to a decrease in deposits for property sales contracts, etc., an increase of 162 million yen in property construction expenses payable, etc. as well as a decrease of 449 million yen in deposits received from tenants of properties managed by the Company.

[Net Assets]

Total net assets decreased by 2,318 million yen compared with the end of the previous fiscal year to 46,722 million yen.

This was primarily attributable to an increase of 568 million yen in retained earnings following the recording of profit attributable to owners of parent, a decrease of 1,709 million yen from dividends of surplus, a decrease of 1,339 million yen from purchase of treasury shares, and an increase of 257 million yen from the disposal of shares as restricted stock compensation to the executives and employees of the Company.

We continue to aim to achieve an equity ratio of 50% or more as a “level at which risks related to value creation can be taken even when the market condition changes.” However, the equity ratio is temporarily at the 40% range as of the end of the third quarter of the fiscal year under review due to the procurement prioritizing the securement of an appropriate level of cash and deposits in addition to the current selective purchase. Moreover, as for borrowings for real estate acquisitions, we have continued to realize borrowings for a period of 10 years or longer.

2) Cash Flows

Cash and cash equivalents (hereinafter, “funds”) at the end of the third quarter of the fiscal year under review decreased by 8,752 million yen compared with the end of the previous fiscal year to 20,572 million yen.

Cash flows in the first nine months of the fiscal year under review and the major contributory factors are as follows.

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

Net cash used in operating activities decreased by 22,560 million yen. The main factor for inflow was increased funds related to 13,032 million yen in net sales in the Wealth Management Business. The main factors for outflow were the decrease in funds related to 26,675 million yen of payment for purchases of real estate for sale, and 5,794 million yen due to payment in line with the progressing development of real estate for sale in process and payment for repair works on real estate for sale in the Wealth Management Business; 721 million yen of payment for income tax; and the expenditure of selling, general and administrative expenses.

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

Net cash used in investing activities decreased by 1,832 million yen. The main factor for inflow was proceeds of 70 million yen from withdrawal of investments in capital while the main factors for outflow were expenditure of 981 million yen related to purchase of property, plant and equipment, expenditure of 142 million yen related to payments for investments in capital, expenditure of 503 million yen related to purchase of shares of subsidiaries and associates, and expenditure of 266 million yen for loan advances.

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

Net cash provided by financing activities increased by 15,663 million yen. The main factor for inflow was the increase of 18,542 million yen in loans payable due to the difference between new fundraising and repayment of loans payable; and the main factors for decrease were the expenditure of 1,399 million yen for purchase of treasury shares and payment of dividends of 1,708 million yen.

(3) Explanation of Consolidated Financial Results Forecast and Other Information on Future Forecasts

The consolidated financial results forecast for the fiscal year ending March 31, 2021, remains undecided since it is unclear when the spread of COVID-19 will start to cease at this point in time and it is difficult to reasonably estimate its impact on business activities and management results.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2020	As of December 31, 2020
Assets		
Current assets		
Cash and deposits	29,325	20,572
Trade accounts receivable	335	284
Real estate for sale	30,496	47,486
Real estate for sale in process	17,894	22,966
Advance payments - trade	1,171	1,190
Income taxes receivable	48	367
Other	1,947	2,478
Allowance for doubtful accounts	(13)	(11)
Total current assets	81,207	95,336
Non-current assets		
Property, plant and equipment		
Buildings, net	1,973	1,975
Land	1,176	1,356
Other, net	1,333	2,388
Total property, plant and equipment	4,483	5,720
Intangible assets		
Other	411	359
Total intangible assets	411	359
Investments and other assets		
Investment securities	2,469	2,099
Deferred tax assets	1,116	977
Investments in capital	80	153
Long-term loans receivable	988	1,245
Other	744	882
Total investments and other assets	5,399	5,358
Total non-current assets	10,294	11,438
Total assets	91,502	106,774

(Millions of yen)

	As of March 31, 2020	As of December 31, 2020
Liabilities		
Current liabilities		
Current portion of long-term borrowings	1,071	1,554
Accounts payable - other	1,156	1,318
Income taxes payable	3,414	3,015
Advances received	939	675
Provision for bonuses	10	1
Provision for loss on liquidation of subsidiaries and associates	123	123
Other	1,632	1,447
Total current liabilities	8,346	8,137
Non-current liabilities		
Long-term borrowings	30,106	48,164
Provision for adjustment of securitization	0	0
Deposits received from tenants	3,915	3,465
Other	93	285
Total non-current liabilities	34,115	51,914
Total liabilities	42,461	60,052
Net assets		
Shareholders' equity		
Share capital	100	100
Capital surplus	12,160	12,054
Retained earnings	48,553	47,412
Treasury shares	(11,817)	(12,853)
Total shareholders' equity	48,996	46,714
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(31)	(66)
Foreign currency translation adjustment	75	74
Total accumulated other comprehensive income	44	7
Non-controlling interests	0	0
Total net assets	49,040	46,722
Total liabilities and net assets	91,502	106,774

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income
(Quarterly Consolidated Statements of Income – Third Quarter of Consolidated Fiscal Year)

(Millions of yen)

	Nine months ended December 31, 2019	Nine months ended December 31, 2020
Net sales	20,100	17,277
Cost of sales	14,848	12,946
Gross profit	5,252	4,331
Selling, general and administrative expenses	3,105	3,245
Operating profit	2,146	1,086
Non-operating income		
Interest income	16	22
Rental income from buildings	4	4
Benefits income	—	29
Other	8	8
Total non-operating income	28	65
Non-operating expenses		
Interest expenses	201	268
Commission for a financial loan	6	7
Foreign exchange losses	1	60
Other	9	10
Total non-operating expenses	219	346
Ordinary profit	1,955	804
Extraordinary income		
Gain on sales of investment securities	127	—
Gain on sale of businesses	—	4
Total extraordinary income	127	4
Extraordinary losses		
Loss on retirement of non-current assets	—	10
Loss on liquidation of subsidiaries and associates	—	69
Total extraordinary losses	—	79
Profit before income taxes	2,083	730
Income taxes - current	426	3
Income taxes - deferred	243	157
Total income taxes	669	161
Profit	1,413	568
Loss attributable to non-controlling interests	—	(0)
Profit attributable to owners of parent	1,413	568

(Quarterly Consolidated Statements of Comprehensive Income – Third Quarter of Consolidated Fiscal Year)

(Millions of yen)

	Nine months ended December 31, 2019	Nine months ended December 31, 2020
Profit	1,413	568
Other comprehensive income		
Valuation difference on available-for-sale securities	6	(34)
Foreign currency translation adjustment	18	(1)
Total other comprehensive income	24	(36)
Comprehensive income	1,438	532
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,438	532
Comprehensive income attributable to non-controlling interests	—	(0)

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Nine months ended December 31, 2019	Nine months ended December 31, 2020
Cash flows from operating activities		
Profit before income taxes	2,083	730
Depreciation	288	291
Loss (gain) on liquidation of subsidiaries and associates	—	69
Increase (decrease) in provision for bonuses	(7)	(8)
Increase (decrease) in allowance for doubtful accounts	0	(2)
Increase (decrease) in provision for adjustment of securitization	(0)	(0)
Loss (gain) on sales of investment securities	(127)	—
Loss on retirement of non-current assets	—	10
Interest and dividend income	(16)	(22)
Interest expenses	201	268
Decrease (increase) in trade receivables	(21)	51
Decrease (increase) in real estate for sale	(3,818)	(17,028)
Decrease (increase) in real estate for sale in process	(14,597)	(5,071)
Loss (gain) on sale of businesses	—	(4)
Decrease (increase) in advance payments - trade	(16)	(287)
Decrease (increase) in deposits paid	(80)	87
Increase (decrease) in advances received	2,089	(262)
Increase (decrease) in accounts payable - other	(281)	71
Decrease/increase in consumption taxes receivable/payable	403	(215)
Increase (decrease) in lease deposits received	(671)	(379)
Other, net	(727)	100
Subtotal	(15,299)	(21,603)
Interest and dividends received	15	22
Interest paid	(202)	(258)
Income taxes (paid) refund	(3,269)	(721)
Net cash provided by (used in) operating activities	(18,755)	(22,560)
Cash flows from investing activities		
Purchase of property, plant and equipment	(762)	(981)
Purchase of intangible assets	(48)	(0)
Proceeds from sales of investment securities	500	—
Payments for investments in capital	(160)	(142)
Purchase of shares of subsidiaries and associates	—	(503)
Proceeds from liquidation of subsidiaries and associates	—	10
Loan advances	(309)	(266)
Proceeds from withdrawal of investments in capital	—	70
Payments for sale of businesses	—	(57)
Other, net	12	39
Net cash provided by (used in) investing activities	(767)	(1,832)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	(1,000)	—
Proceeds from long-term borrowings	16,425	25,587
Repayments of long-term borrowings	(5,585)	(7,044)
Purchase of treasury shares	(700)	(1,399)
Dividends paid	(1,729)	(1,708)
Proceeds from sale and leaseback transactions	—	259
Other, net	(23)	(29)
Net cash provided by (used in) financing activities	7,386	15,663
Effect of exchange rate change on cash and cash equivalents	(0)	(22)
Net increase (decrease) in cash and cash equivalents	(12,137)	(8,752)
Cash and cash equivalents at beginning of period	22,075	29,325
Cash and cash equivalents at end of period	※ 9,937	※ 20,572

(4) Notes on Quarterly Consolidated Financial Statements

(Notes on the Going Concern Assumption)

Not applicable.

(Notes in the Event of Material Change in the Amount of Shareholders' Equity)

Not applicable.

(Segment Information, Etc.)

[Segment Information]

Information on net sales, income (loss), assets, liabilities and other items by reporting segment

Third Quarters of the Fiscal Year ended Dec 31, 2019 (April 1, 2019 to December 31 2019)

(Millions of yen)

	Reportable segments			Total	Reconciling items	Per quarterly consolidated financial statements
	Wealth Management	Property Management	Other			
Sales						
Revenues from external customers	14,392	3,829	1,878	20,100	—	20,100
Transactions with other segments	—	63	18	82	(82)	—
Net sales	14,392	3,893	1,897	20,182	(82)	20,100
Operating profit (loss)	1,919	989	(342)	2,566	(419)	2,146

(Note) The amount of (-419 million yen) in adjustments of segment profit (loss) is the elimination of inter-segment transactions (0 million yen) and the company-wide expenses of administrative expenses (-419 million yen) that are not allocated to each segment. The amount of segment profit (loss) after deduction of this adjustment is the same as the amount of 2,146 million yen of operating income stated in the consolidated statements of income.

Third Quarters of the Fiscal Year ended Des 31, 2020 (April 1, 2020 to December 31, 2020)

(Millions of yen)

	Reportable segments			Total	Reconciling items	Per quarterly consolidated financial statements
	Wealth Management	Property Management	Other			
Sales						
Revenues from external customers	13,032	3,350	893	17,277	—	17,277
Transactions with other segments	—	109	38	148	(148)	—
Net sales	13,032	3,460	932	17,425	(148)	17,277
Operating profit (loss)	1,933	785	(1,210)	1,508	(422)	1,086

(Note) The amount of (-422 million yen) in adjustments of segment profit (loss) is the elimination of inter-segment transactions (0 million yen) and the company-wide expenses of administrative expenses (-422 million yen) that are not allocated to each segment. The amount of segment profit (loss) after deduction of this adjustment is the same as the amount of 1,086 million yen of operating loss stated in the consolidated statements of income.