

RAYSUM

+reVALUE

Financial Results for the Second Quarter of Fiscal Year Ending March 31, 2024

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Consolidated Financial Results

PL	FY Ending March 2023	FY Ending March 2024	Year-on-year change	Year-on-year % change	FY Ending March 2024	
	Q2 Actual	Q2 Actual			Initial plan	Progression rate
(in million yen)						
Net sales	18,888	38,828	+19,939	+105.6%	90,000	43.1%
Gross profit	6,526	12,589	+6,063	+92.9%	N/A	N/A
Gross profit margin	34.6%	32.4%	-	-2.1%	N/A	N/A
Operating profit	3,113	9,631	+6,517	+209.3%	18,000	53.5%
Operating profit margin	16.5%	24.8%	-	+8.3%	20.0%	N/A
Ordinary profit	3,188	9,440	+6,251	+196.1%	16,800	56.2%
Ordinary profit margin	16.9%	24.3%	-	+7.4%	18.7%	N/A
Profit attributable to owners of the parent	2,233	6,212	+3,979	+178.2%	11,000	56.5%
Net income margin	11.8%	16.0%	-	+4.2%	12.2%	N/A

Financial highlights

Following the first quarter, several large properties were sold in Q2. As of the end of Q2, progress toward the full-year forecast was 53.5% for operating profit and 56.5% for profit attributable to owners of the parent (net income).

Gross profit rose approx. 93% year-on-year while operating profit rose approx. +209% year-on-year.

Steady performance toward achievement of full-year forecasts

Virtuous circle of increased operating leverage as net sales increases

Segment Highlights

	FY Ending March 2023	FY Ending March 2024	Year-on-year change	Year-on-year % change	FY Ending March 2024	
	Q2 Actual	Q2 Actual			Initial plan	Progression rate
PL (in million yen)						
Net sales	18,888	38,828	+19,939	+105.6%	90,000	43.1%
Value Creation Services	15,629	35,275	+19,645	+125.7%	82,500	42.8%
Value-Add Services	2,141	2,528	+387	+18.1%	4,500	56.2%
Future Value Creation Services	1,117	1,024	-93	-8.4%	3,000	34.1%
Operating profit	3,113	9,631	+6,517	+209.3%	18,000	53.5%
Value Creation Services	4,840	10,192	+5,352	+110.6%	19,000	53.6%
Value-Add Services	344	685	+340	+98.7%	900	76.1%
Future Value Creation Services	-1,672	-742	+929	NM	-1,000	NM
Adjustment of all companies	-399	-504	-104	NM	-900	NM

Segment highlights (See P.11 for business details by segment)

In the core Value Creation Services segment, both net sales and operating profit grew in Q2, following on from Q1, due to several large real estate sales.

In the Value-Add Services segment, rental income increased due to progress in procuring income-generating real estate in the Value Creation Services Segment.

In the Future Value Creation Services segment, there was also an impact from the deconsolidation of the golf course business which was sold in the previous fiscal year.

**Value Creation Services
drove overall performance**

**Revenue and profits increased in
Value-Add Services**

**Future Value Creation Services
saw a decline in revenue, but a narrowing of
the operating loss**

Consolidated Balance Sheet

	FY Ending March 2023	FY Ending March 2024	Change from previous year-end	Comments
	Actual	Q2 Actual		
Balance Sheet (in million yen)				
Current assets	96,216	110,333	+14,116	
Cash and deposits	27,524	28,675	+1,151	
Real estate for sale	45,167	40,068	-5,098	Steady trend of purchasing real estate
Real estate for sale in process	17,079	36,280	+19,200	
Non-current assets	10,535	10,888	+352	
Total assets	106,752	121,221	+14,469	
Current liabilities	8,230	8,232	+2	
Current portion of long-term borrowings	1,359	1,479	+120	General borrowing terms: 10 year loan term with amortization period of 20-30 years
Income taxes payable	4,052	3,340	-711	
Non-current liabilities	45,803	55,192	+9,389	
Long-term borrowings	41,397	49,923	+8,525	Inventory levels are rising, and borrowing is also increasing
Deposits received from tenants	4,067	4,989	+922	
Total liabilities	54,033	63,425	+9,391	
Net assets	52,718	57,796	+5,077	Net income of approximately 6.2 billion yen; dividend payments of approximately 1.6 billion yen
Total liabilities and net assets	106,752	121,221	+14,469	

Consolidated Statement of Cash Flows

	FY Ending March 2023 Q2 Actual	FY Ending March 2024 Q2 Actual	Year-on-year change	Comments
Cash flows (in million yen)				
Cash flow from operating activities	-1,164	-5,507	-4,343	Approx. 35.3 billion yen of net sales in Value Creation Services; approx. 31.9 billion yen spent on real estate purchases; approx. 4.5 billion yen spent on renovation work; approx. 4.0 billion yen spent on income taxes, etc.
Cash flows from investing activities	-1,658	-516	+1,141	Approx. 300 million yen of proceeds from paid-in capital reduction of shares in affiliates; approx. 500 million yen spent on the acquisition of non-current assets; lending of approx. 200 million yen
Cash flows from financing activities	-13,046	7,029	+20,076	Increase of approx. 8.6 billion yen from the difference between new financing and repayment of borrowings; dividend payments of approx. 1.6 billion yen, etc.
Exchange rate impact on cash and cash equivalents	121	143		
Net increase (decrease) in cash and cash equivalents	-15,747	1,148		
Cash and cash equivalents at beginning of year	28,222	27,511		
Cash and cash equivalents at the end of year	12,474	28,660		

Progression Rate of Operating Profit by Quarter

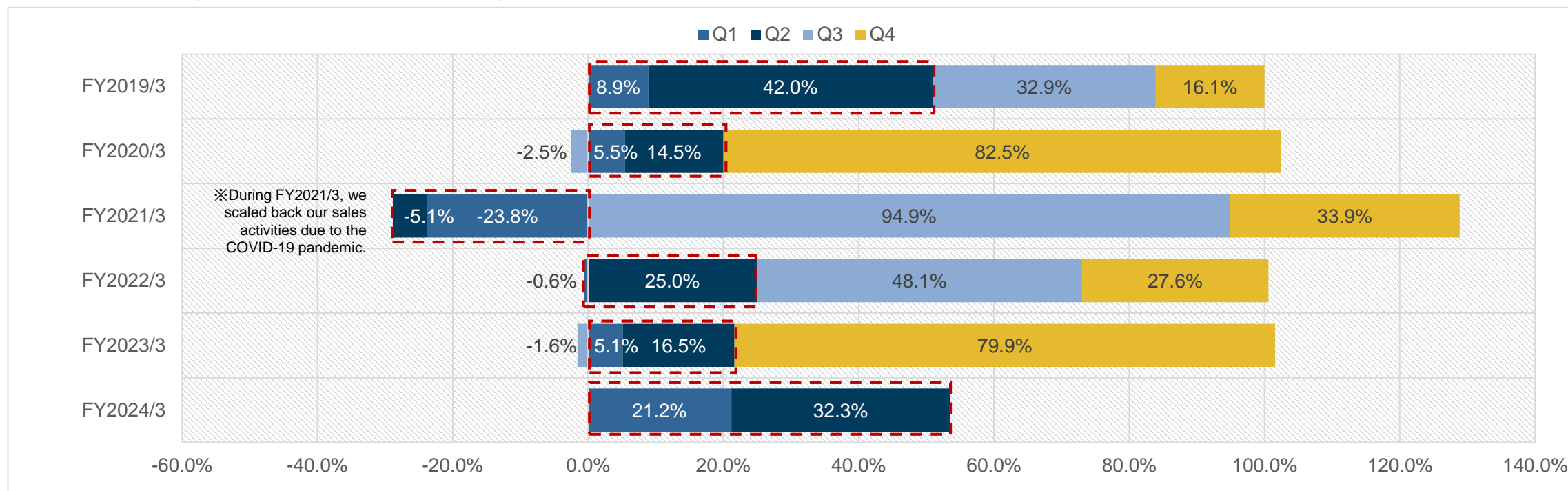


Over the last five years, from FY2019/3 through FY2023/3, the average and median progression rates of operating profit as a percentage of full year profit at the end of Q2 were 17.6% and 21.7%, respectively. Progress toward the full-year forecast for the current fiscal year was **53.5%** at the end of Q2.



Although sales and profits tend to be seasonally weighted to the 2nd half, the 1st half performance was very solid. The company is on track to achieve its full-year operating profit target of 18 billion yen **and is making further efforts in procurement and sales initiatives to drive sales growth in the next fiscal year and beyond.**

Progression rate of operating profit in each quarter for the past five years compared to the current quarter



Notes: For the period from FY2019/3 to FY2023/3, the denominator is actual full-year operating profit; for FY2024/3, the denominator is the target full-year operating profit of 18 billion yen.

Current Inventory Conditions



In the Value Creation Services business, despite sales of about 35.3 billion yen in the 1st half of the year, reserved forecast net sales which was approx. 141.1 billion yen as of May 2023 has now increased to approx. **201.9 billion yen (approx. +60.8 billion yen, +43% in about 6 months)**

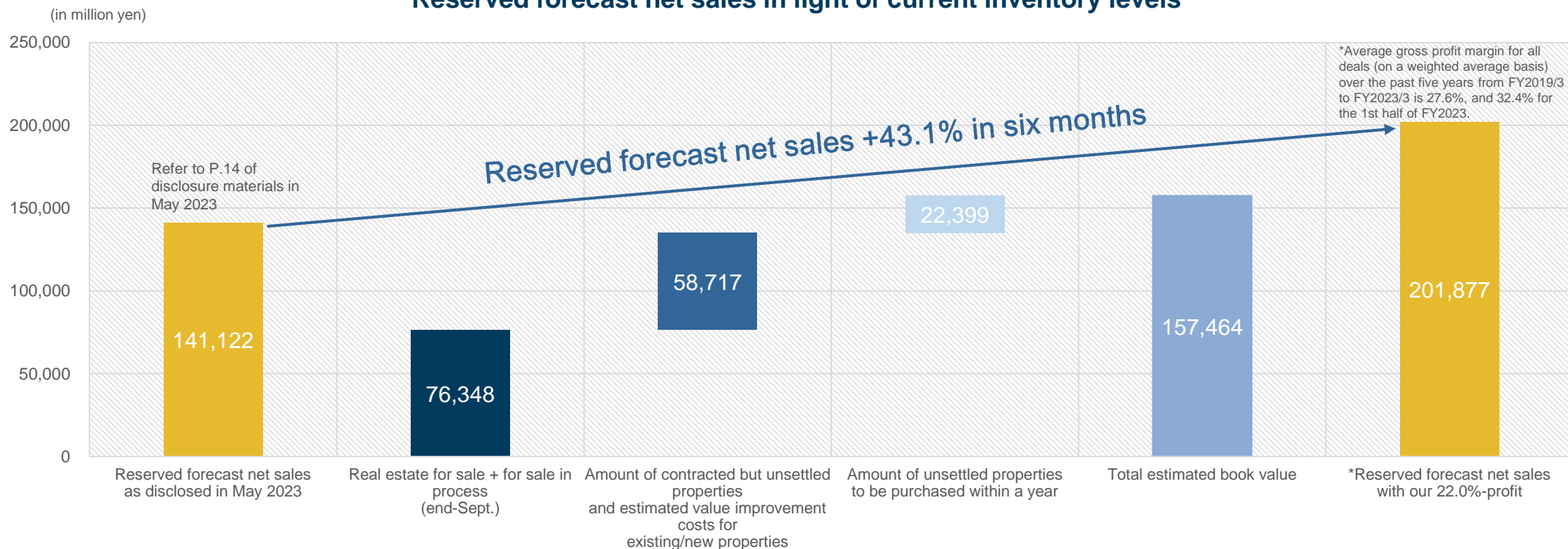


Steady progress in purchasing to further increase sales and profits in the next fiscal year, as highlighted in the Medium-Term Management Plan.



Although there will be significant expenses related to adding value in future along with high unsettled balances, and there are many properties where contracts have been brought forward and settlement delayed, **so the balance of cash and deposits is not a problem.**

Reserved forecast net sales in light of current inventory levels



November 2023

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Ratio of Tradable Shares Improved Significantly due to the Share Buyback through Tender Offer, Whose Period Ended in October



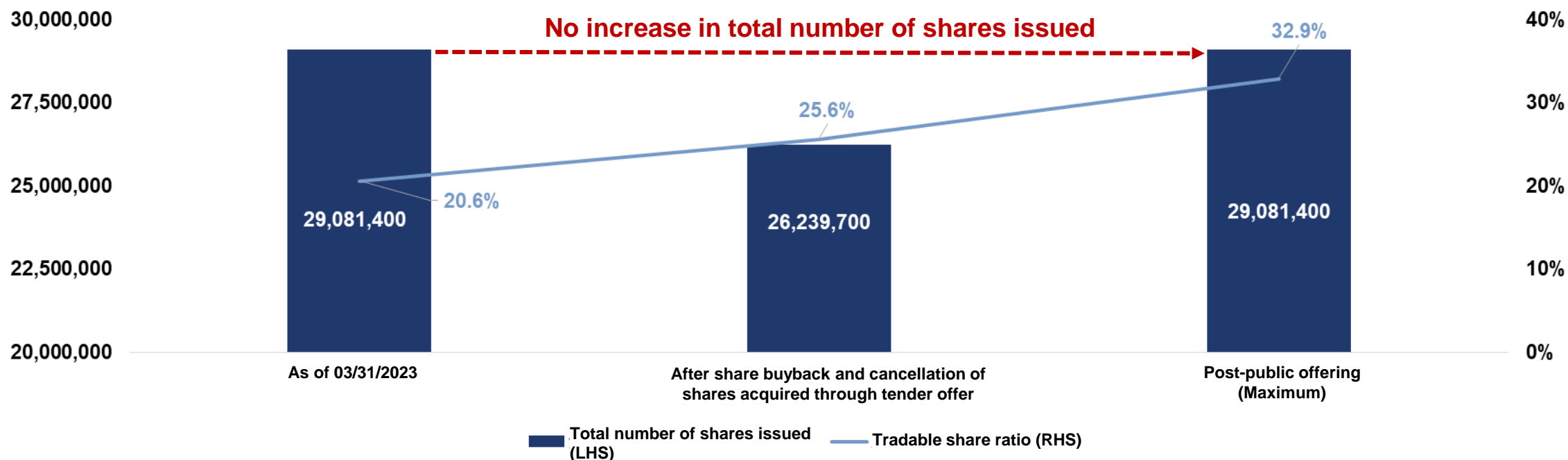
We cancelled 2,841,700 shares repurchased through the self-tender offer. Of these, we acquired 2,840,700 shares from Japan Investment Inc., the second largest shareholder in the Company, resulting in a significant increase in the tradable share ratio.

The tradable share ratio is forecast to improve to a maximum of 33% (see note) after completion of the public offering, which is expected to be implemented in future in order to secure the funds necessary to achieve the medium-term management plan.



Since the maximum number of shares to be issued via the public offering will be no more than the number of shares repurchased through the self-tender offer, **no share dilution is expected compared to before the self-tender offer.**

Total number of shares issued and tradable share ratio after share buyback through tender offer and public offering (Note)



Notes: Assumes that all 700,000 shares sold in the market in June-July 2023 under the preliminary plan known by Japan Investment Inc. have become tradable shares.

The number of shares to be issued in the public offering is assumed to be 2,841,700 shares, the same number of shares acquired through the tender offer and canceled. Calculations are based on the assumption that all 2,840,700 shares, excluding the 1,000 shares remaining in Japan Investment Inc. after the tender offer become tradable shares.

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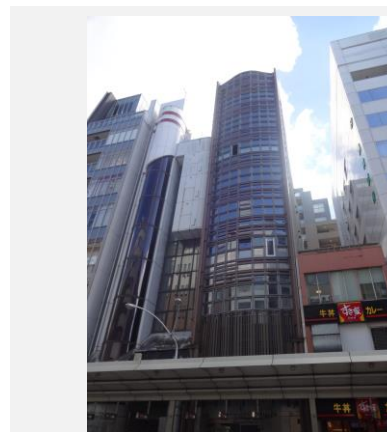
Case study of property sold in FY2024/03 (1/2)

- New development in a prime Kyoto location -

Overview

Name	Kyoto Shijo PJ
Principal value improvement method	New construction development
Other value improvement method	N/A
Age (at time of purchase)	N/A
Land area	Approx. 120 tsubo (397m ²)
Floor area	Approx. 800 tsubo (2,645m ²)
Leasable area	Approx. 700 tsubo (2,314m ²)
Floor area ratio	700%
Number of stories	9 floors above ground
Asset class	Commercial/Office
Month and year of purchase	March 2021
Month and year of sale	June 2023
Sale value	Between 5-10 billion yen

Photo



Highlights

- Simultaneous purchase of two connected, highly visible buildings located in Shijo, Kyoto. We acquired the properties while they were under the management of the previous owner whose hotel operations were impacted by the COVID-19 pandemic.
- The existing buildings were demolished and new wide frontage buildings were constructed with separate entrances for the retail space and the office space. Taking advantage of its location, we have transformed the property into an income-generating asset with stable occupancy by attracting luxury brands on the ground floor, with the upper floors leased out as office space and to service providers.
- We saw strong interest from an investor who wanted to own a prime real estate asset in Shijo, Kyoto. Since the investor owned a prime location property in Tokyo, we sold the Kyoto Shijo building on the condition that we could purchase the Tokyo property in exchange.
- The building received a Good Design Award in 2023 in recognition of the innovative architectural design of its frontage, making the most of narrow land, which is a common feature of Kyoto.

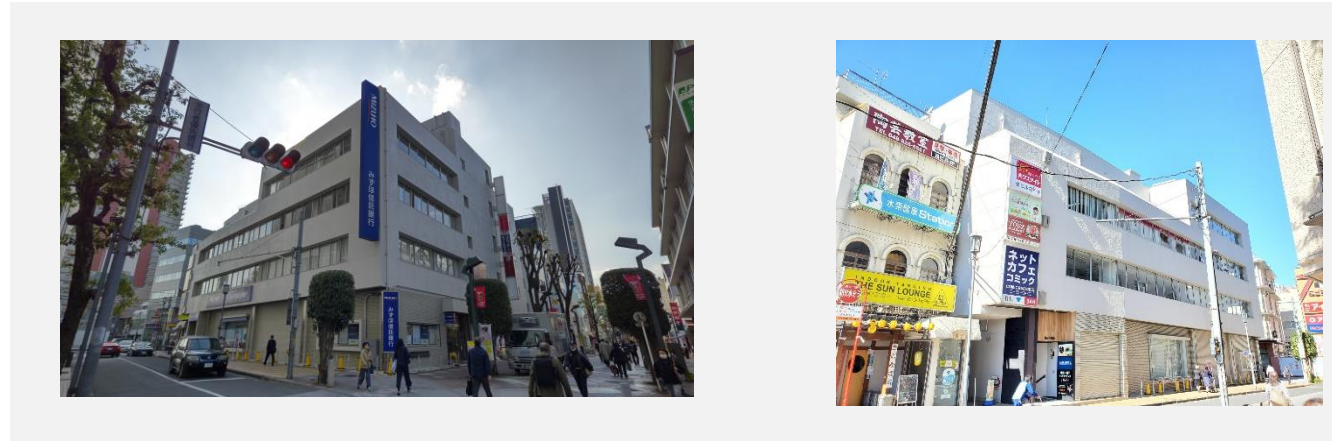
Case study of property sold in FY2024/03 (2/2)

Large-scale renovation of an old property in Urawa

Overview

Name	Shimadaya Hondaya Building
Principal value improvement method	Large-scale renovation
Other value improvement method	Increase NOI
Age (at time of purchase)	46 years
Land area	Approx. 300 tsubo (992m ²)
Floor area	Approx. 1,100 tsubo (3,636m ²)
Leasable area	Approx. 800 tsubo (2,645m ²)
Floor area ratio	400%
Number of stories	5 floors above ground/1 basement floor
Asset class	Commercial
Month and year of purchase	March 2023
Month and year of sale	September 2023
Sale value	Between 2-5 billion yen

Photo



Highlights

- The property was built 46 years ago in a prime location near Urawa Station in Saitama City, Saitama Prefecture. The building had no inspection certificate and the existing main tenant had decided to vacate the building. Against this backdrop, we acquired the property while other buyers were hesitant about making a move.
- We successfully carried out a large-scale renovation to make the asset more attractive to new tenants and to significantly increase NOI.
- The building is an income-generating asset and is almost 100% occupied in a prime location. It will eventually be sold to a major Japanese business corporation, a long-term investor looking at future redevelopment.

Raysum's Business Segment

(Repost from materials published in May 2023)

Details		Revenue FY Ending March 2023 (Percentage of total)	Operating Profit FY Ending March 2023 (Operating profit margin)															
Value Creation Services	<p>Purchase and sale of real estate</p> <ul style="list-style-type: none"> ✓ Our core business ✓ We utilize the following methods to enhance value with a focus on increasing NOI. The methods used in 101 property sales over the past 5 years until FY23/3 were as follows. (For some cases, methods overlap or do not belong to any of the below categories) <table border="1"> <tr> <td>Increase NOI</td> <td>Change of use/increase floor area ratio</td> <td>Large-scale renovation</td> <td>Create land for development</td> <td>New construction development</td> <td>Coordinate/consolidate land rights</td> </tr> <tr> <td>62 cases</td> <td>8 cases</td> <td>33 cases</td> <td>16 cases</td> <td>14 cases</td> <td>23 cases</td> </tr> </table> <ul style="list-style-type: none"> ✓ We pride ourselves as being one of the few listed players with the expertise to offer the optimal solution from a wide range of options, including complex methods such as those outlined above ✓ Our transactions have covered almost all asset classes over the past five years until FY23/5 as shown below (measured by value). <table border="1"> <tr> <td>Offices 40%</td> <td>Commercial 32%</td> <td>Residential 13%</td> </tr> </table> <ul style="list-style-type: none"> ✓ By region, the majority of our projects are in major cities, with Tokyo accounting for approx. 70% of projects by value ✓ At the end of 2021, we launched a scheme to commercialize multiple properties in small lots and sell units to individual 	Increase NOI	Change of use/increase floor area ratio	Large-scale renovation	Create land for development	New construction development	Coordinate/consolidate land rights	62 cases	8 cases	33 cases	16 cases	14 cases	23 cases	Offices 40%	Commercial 32%	Residential 13%	<p>61,419 Million Yen 90.4%</p>	<p>16,653 Million Yen 27.1%</p>
	Increase NOI	Change of use/increase floor area ratio	Large-scale renovation	Create land for development	New construction development	Coordinate/consolidate land rights												
62 cases	8 cases	33 cases	16 cases	14 cases	23 cases													
Offices 40%	Commercial 32%	Residential 13%																
Value-Add Services	<p>Real estate leasing and building management</p> <ul style="list-style-type: none"> ✓ Rental income from Value Creation Services segment, management fees and other income from properties that the Company manages ✓ Real estate management services for clients who have purchased real estate from Value Creation Services segment and who retain the Company to continue to manage their assets ✓ As of the end of March 2023 we managed approx. 180 properties/1,800 rooms 	<p>4,416 Million Yen 6.5%</p>	<p>765 Million Yen 17.3%</p>															
Future Value Creation Services	<p>Various business activities leveraging our accumulated real estate expertise</p> <ul style="list-style-type: none"> ✓ Businesses include the operation of lodging facilities, the manufacture and sale of bread and confectionery, the development, manufacture, and sale of gas engine generators, and support services for advanced medical care ✓ The segment is loss-making at present, but we are increasingly confident in our ability to reduce the deficit and return to profit in future 	<p>2,071 Million Yen 3.0%</p>	<p>-2,302 Million Yen (NM)</p>															

Raysum's Business Model (Value Creation Services/Value-Add Services)

(Repost from materials published in May 2023)



Raysum has unique strengths at each stage of the purchase and sale process

Purchase

- The decision making speed outpaces our competitors
- Ability to deal with a wide range of asset classes
- Most of our new project referrals come from repeat customers (who trust Raysum's capabilities to take on complex projects)
- Trusted relationships with financial institutions enable us to obtain financing for projects that are normally difficult to finance (e.g older buildings)

Value Enhancement

- We increase rental income by pushing up low rents
- We adopt a flexible approach that is not bound by factors such as existing usage purpose or market rents
- We utilize our extensive knowledge of renovation and reconstruction of old properties
- Creative leasing approach to fulfill new needs and requirements
- Careful reviews of interim costs

Sale

- Strong relationships with institutional investors, high net worth domestic individuals, and foreign investors
- We have the established capabilities to find the optimal investor for each property
- Recently, we have also developed a new investor base through the sale of small-lot 50 million yen products

- A corporate culture and employees who relish challenges

Policy of Shareholder Return

(Repost from materials published in May 2023)

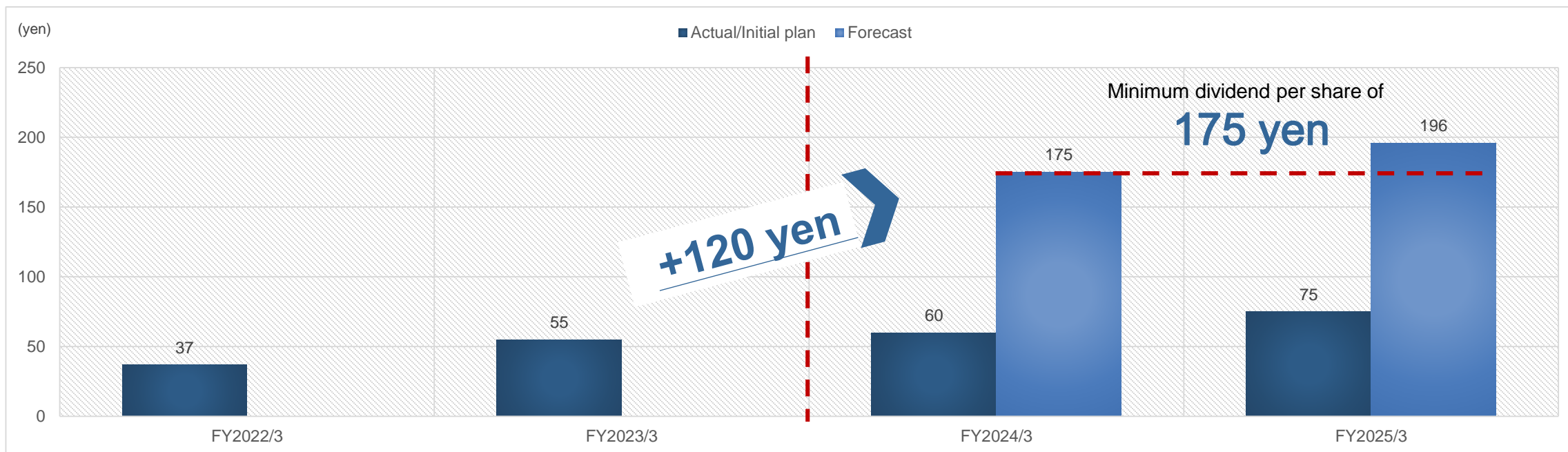
FY2023/3 Dividend per share

- Dividend per share increased by 18 yen YoY to **55 yen**

FY2024/3 ~ FY2025/3 Shareholder returns policy

- Annual dividend per share is set at a minimum of **175 yen**
- The dividend payout ratio target for FY2024/3 & FY2025/3 is **40%**

Dividend per share



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