

Please note that this document is a translation of the official announcement that was released on November 11, 2022. The translation is prepared and provided for the purpose of the reader's convenience only. All readers are strongly recommended to refer to the original Japanese version of the news release for complete and accurate information.

**Consolidated Financial Results for the
Nine Months Ended December 31, 2022
[Japanese GAAP]**

February 10, 2023

Company name: Raysum Co., Ltd. Stock exchange listing: Tokyo Stock Exchange
Code number: 8890 URL: <http://www.raysum.co.jp/en/>
Representative: Tsuyoshi Komachi, President and Representative Director
Contact: Yasuhiro Katayama, Senior Operating Officer, General Manager of Administration Division
Phone: +81-3-5157-8881
Scheduled date for filing of quarterly securities report: February 10, 2023
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, 2022 (April 1, 2022 to December 31, 2022)

(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, 2022	23,361	(49.0)	2,889	(64.9)	2,685	(66.0)	1,872	(62.8)
Nine months ended December 31, 2021	45,811	165.2	8,231	657.9	7,888	880.2	5,033	784.6

(Note) Comprehensive income: Nine months ended December 31, 2022: 1,957 million yen (-61.3%)
Nine months ended December 31, 2021: 5,060 million yen (850.1%)

	Profit per share	Diluted profit per share
	yen	yen
Nine months ended December 31, 2022	58.77	—
Nine months ended December 31, 2021	137.33	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
As of December 31, 2022	96,108	46,212	48.1
As of March 31, 2022	109,847	53,433	48.6

(Reference) Equity: As of December 31, 2022: 46,183 million yen
As of March 31, 2022: 53,422 million yen

2. Dividends

	Annual dividends				
	Q1 end	Q2 end	Q3 end	Year end	Total
	yen	yen	yen	yen	yen
Fiscal year ended March 31, 2022	—	0.00	—	37.00	37.00
Fiscal year ending March 31, 2023	—	0.00	—		
Fiscal year ending March 31, 2023 (Forecast)				50.00	50.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023 (April 1, 2022 to March 31, 2023)

(% indicates changes from the previous corresponding period)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full year	80,000	17.0	12,500	10.0	11,600	11.1	7,500	13.1	245.48

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

*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): Not applicable
- (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 shares):

Nine months ended December 31, 2022	29,081,400 shares
Fiscal year ended March 31, 2022	37,081,400 shares

- 2) Total number of treasury shares at the end of the period:

Nine months ended December 31, 2022	481,711 shares
Fiscal year ended March 31, 2022	479,586 shares

- 3) Average number of shares during the period:

Nine months ended December 31, 2022	31,859,532 shares
Nine months ended December 31, 2021	36,648,927 shares

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

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

(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.

○ Contents of Appendix

1. Qualitative Information on Quarterly Financial Results	4
(1) Explanation of Results of Operations	4
(2) Explanation of Financial Position	6
(3) Explanation of Consolidated Financial Results Forecast and Other Information on Future Forecasts.....	6
2. Quarterly Consolidated Financial Statements.....	7
(1) Quarterly Consolidated Balance Sheets	7
(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income.....	9
(3) Quarterly Consolidated Statements of Cash Flows	11
(4) Notes on Quarterly Consolidated Financial Statements	12
(Notes on the Going Concern Assumption).....	12
(Notes in the Event of Material Change in the Amount of Shareholders' Equity)	12
(Segment Information)	12

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 23,361 million yen (year-on-year decrease of 49.0%), operating profit of 2,889 million yen (year-on-year decrease of 64.9%), ordinary profit of 2,685 million yen (year-on-year decrease of 66.0%), and profit attributable to owners of parent of 1,872 million yen (year-on-year decrease of 62.8%). While there were sales of large properties in the third quarter of the previous fiscal year (October 2021 to December 2021), there were few property sales in the third quarter of the fiscal year under review, resulting in a decrease in sales and profit.

However, as disclosed today in two releases both titled “Notice Concerning Sale of Real Estate for Sale,” two large property sales were realized, and these will be reflected in the financial results for the fourth quarter of the fiscal year under review. We are deepening our confidence toward achieving the full-year consolidated financial results forecast, including the expected sales of other properties in the inventory.

We released “Notice Concerning Establishment of Medium-term Management Plan” on May 13, 2022, and “Notice Concerning Revision of Dividend Forecast (Increased Dividends)” on August 10, 2022. Based on the steady performance forecasts for the fiscal year under review (full year), we are currently discussing the medium-term management plan (second year and third year) and the amount of dividends. We will announce them as soon as the details are decided.

Business results by segment are as follows.

(Value Creation Services)

In this business, we pursue the potential value of individual real estate assets in accordance with the purpose of each customer. We change the use, conduct large-scale renovations and attract new tenants by becoming owners, and create and provide real estate assets that are meaningful to customers. We work on this business by redefining that we place utmost importance on making the society, economy and environment co-exist, considering the essence of value that leads to continuous development and realizing it.

In the first nine months of the fiscal year under review, we delivered to customers products including several large-scale properties in the sales price range of 2 billion yen or more with high profitability in the second quarter of the fiscal year under review. In addition, we arranged and continue to conduct sales for the second group of our new real estate investment products enabling investments starting from units of tens of millions of yen to be made in assets under management worth 10 billion yen or so formed by bundling several large-scale properties undergoing our asset value enhancement.

While there were sales of large properties in the third quarter of the previous fiscal year (October 2021 to December 2021), there were few property sales in the third quarter of the fiscal year under review. As a result, in the first nine months of the fiscal year under review, Value Creation Services posted net sales of 18,541 million yen (year-on-year decrease of 54.7%) and segment profit of 4,886 million yen (year-on-year decrease of 47.5%). However, as disclosed today in two releases both titled “Notice Concerning Sale of Real Estate for Sale,” two large property sales were realized, and these will be reflected in the financial results for the fourth quarter of the fiscal year under review. We are making steady progress toward achieving the full-year consolidated financial results forecast, including the expected sales of other properties in inventory.

We are vigorously carrying out necessary repair work, conversion preparation, tenant leasing and sales activities toward achieving the full-year performance target for this segment as well as the purchase of large-scale properties that will contribute to sales for the next fiscal year onwards.

(Value-Add Services)

In this business, we conduct leasing management, building management and other services to maintain and enhance the value of the properties we have provided to clients. We listen to clients’ requests in detail and aim to improve the long-term asset value in ways such as proposing measures to increase property value for the future at the timing of tenant replacement, etc.

In the first nine months of the fiscal year under review, Value-Add Services posted net sales of 3,209 million yen (year-on-year decrease of 13.2%) and segment profit of 508 million yen (year-on-year decrease of 46.3%) due in part to properties held in the same period of the previous fiscal year steadily selling thereafter and rental income from those properties decreasing.

(Future Value Creation Services)

In this business, we mainly conduct businesses that address future social issues, such as community hostels, advanced medical facilities that are indispensable in a super-ageing society and development of emergency power sources to prepare for the frequent natural disasters, under our own operation. The experience and knowledge gained through these business operations will be utilized in conceiving and proposing ideas for Value Creation Services and Value-Add Services in the future.

Despite the lingering impact of the COVID-19 pandemic, the accommodation business is on a recovery trend compared with the same period of the previous fiscal year partially due to the recovery of the flow people within Japan compared with the previous fiscal year, and “medock Comprehensive Medical Clinic” in Meguro is increasing the number of patients by deepening collaboration with companies from various sectors and health insurance associations. In addition, the emergency gas engine generators provided to clients by Raypower Inc. demonstrated effective performance during power outages caused by the heavy rain disaster during the summer, and was highly evaluated by clients who had installed them.

In the first nine months of the fiscal year under review, Future Value Creation Services posted net sales of 1,609 million yen (year-on-year increase of 37.7%) and segment loss of 1,941 million yen (segment loss of 1,561 million yen in the same period of the previous fiscal year) partially due to the initial investment in SAUNA RESET Pint, a newly launched sauna facility.

(2) Explanation of Financial Position

1) Changes in Financial Position

(Assets)

Current assets decreased 10,665 million yen compared with the end of the previous fiscal year to 85,657 million yen. This was primarily attributable to cash and deposits decreasing 18,898 million yen to 9,324 million yen, real estate for sale increasing 16,117 million yen to 40,691 million yen, and real estate for sale in process decreasing 9,296 million yen to 29,263 million yen.

Non-current assets decreased 3,072 million yen compared with the end of the previous fiscal year to 10,451 million yen. This was primarily attributable to a decrease of 3,625 million yen in property, plant and equipment from an increase due to acquisition, a decrease in property, plant and equipment of Asset Holdings Co., Ltd., which was excluded from the scope of consolidation due to the transfer of shares, and a decrease due to depreciation; a decrease of 34 million yen in intangible assets; and an increase of 586 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 decreased 13,738 million yen compared with the end of the previous fiscal year to 96,108 million yen.

(Liabilities)

Liabilities decreased 6,517 million yen compared with the end of the previous fiscal year to 49,895 million yen. This was primarily attributable to an increase of 157 million yen in borrowings due to the difference between new fundraising and repayment of borrowings, a decrease of 5,393 million yen in income taxes payable due to the payment of income taxes, and a decrease of 887 million yen in accounts payable due to construction work on properties, etc.

(Net assets)

Total net assets decreased 7,220 million yen compared with the end of the previous fiscal year to 46,212 million yen. This was primarily attributable to an increase of 1,872 million yen in retained earnings following the recording of profit attributable to owners of parent, a decrease of 1,354 million yen due to dividends of surplus, and a decrease of 7,824 million yen due to the acquisition of treasury shares. While treasury shares decreased 8,000 million yen due to the cancellation of treasury shares, retained earnings decreased 8,000 million yen, and there was no impact on total net assets.

Furthermore, the equity ratio as of the end of the third quarter of the fiscal year under review has become 48.1%.

2) Cash Flows

Cash and cash equivalents (hereinafter “funds”) at the end of the third quarter of the fiscal year under review decreased 18,908 million yen compared with the end of the previous fiscal year to 9,313 million yen.

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

(Cash flows from operating activities)

Net cash used in operating activities amounted to 10,291 million yen. The main factor for inflow was the increase in funds related to 18,541 million yen in net sales in Value Creation Services. The main factors for outflow were the decrease in funds related to 14,947 million yen of payment for purchases of real estate for sale, 4,836 million yen of 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 Value Creation Services, 5,836 million yen of payment of income taxes, and the expenditure of selling, general and administrative expenses.

(Cash flows from investing activities)

Net cash provided by investing activities amounted to 313 million yen. The main factor for inflow was 2,050 million yen of proceeds from the transfer of all shares of and loan claims, etc. to Asset Holdings Co., Ltd., which was our consolidated subsidiary. The main factors for outflow were 516 million yen of purchase of property, plant and equipment, 573 million yen of payments for investments in capital, and 458 million yen of loan advances.

(Cash flows from financing activities)

Net cash used in financing activities amounted to 8,972 million yen. The main factor for inflow was an increase of 270 million yen due to the difference between new fundraising and repayment of borrowings. The main factors for outflow were 7,824 million yen of purchase of treasury shares and 1,351 million yen of dividends paid.

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

As of the date of this document, the consolidated financial results forecast remains unchanged from the full-year consolidated financial results forecast in “Consolidated Financial Results for the Fiscal Year Ended March 31, 2022” announced on May 13, 2022.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	28,222	9,324
Trade accounts receivable	310	308
Real estate for sale	24,573	40,691
Real estate for sale in process	38,560	29,263
Advance payments to suppliers	902	927
Income taxes refund receivable	36	347
Other	3,727	4,805
Allowance for doubtful accounts	(11)	(11)
Total current assets	96,322	85,657
Non-current assets		
Property, plant and equipment		
Buildings, net	4,643	2,745
Land	1,616	490
Construction in progress	98	19
Other, net	1,484	963
Total property, plant and equipment	7,843	4,218
Intangible assets		
Other	259	225
Total intangible assets	259	225
Investments and other assets		
Investment securities	1,954	2,013
Deferred tax assets	1,153	698
Investments in capital	546	1,119
Long-term loans receivable	1,536	1,986
Other	709	668
Allowance for doubtful accounts	(478)	(478)
Total investments and other assets	5,421	6,008
Total non-current assets	13,524	10,451
Total assets	109,847	96,108

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Liabilities		
Current liabilities		
Current portion of long-term borrowings	1,361	1,604
Accounts payable - other	1,610	722
Income taxes payable	5,493	100
Advances received	559	445
Provision for bonuses	4	—
Provision for loss on liquidation of subsidiaries and associates	123	123
Other	1,219	800
Total current liabilities	10,372	3,796
Non-current liabilities		
Long-term borrowings	41,910	41,824
Deposits received from tenants	3,678	3,908
Other	452	366
Total non-current liabilities	46,041	46,099
Total liabilities	56,413	49,895
Net assets		
Shareholders' equity		
Share capital	100	100
Capital surplus	6,899	6,899
Retained earnings	46,942	39,460
Treasury shares	(649)	(473)
Total shareholders' equity	53,292	45,986
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	57	124
Foreign currency translation adjustment	72	71
Total accumulated other comprehensive income	129	196
Non-controlling interests	11	29
Total net assets	53,433	46,212
Total liabilities and net assets	109,847	96,108

(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, 2021	Nine months ended December 31, 2022
Net sales	45,811	23,361
Cost of sales	33,804	15,979
Gross profit	12,007	7,381
Selling, general and administrative expenses	3,775	4,492
Operating profit	8,231	2,889
Non-operating income		
Interest income	28	7
Rental income from buildings	4	4
Benefits income	60	23
Foreign exchange gains	43	130
Other	8	9
Total non-operating income	145	175
Non-operating expenses		
Interest expenses	412	346
Commission for a financial loan	61	5
Other	14	27
Total non-operating expenses	488	379
Ordinary profit	7,888	2,685
Extraordinary income		
Gain on sale of non-current assets	—	0
Gain on liquidation of subsidiaries and associates	8	—
Gain on sale of shares of subsidiaries and associates	—	5
Gain on sale of investment securities	9	—
Total extraordinary income	17	5
Extraordinary losses		
Loss on retirement of non-current assets	28	5
Loss on sale of non-current assets	38	0
Loss on withdrawal from business	—	242
Total extraordinary losses	66	248
Profit before income taxes	7,839	2,442
Income taxes - current	3,078	132
Income taxes - deferred	(269)	419
Total income taxes	2,808	551
Profit	5,031	1,891
Profit (loss) attributable to non-controlling interests	(2)	18
Profit attributable to owners of parent	5,033	1,872

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

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Profit	5,031	1,891
Other comprehensive income		
Valuation difference on available-for-sale securities	28	67
Foreign currency translation adjustment	0	(0)
Total other comprehensive income	29	66
Comprehensive income	5,060	1,957
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,062	1,938
Comprehensive income attributable to non-controlling interests	(2)	18

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Cash flows from operating activities		
Profit before income taxes	7,839	2,442
Depreciation	1,225	453
Loss (gain) on liquidation of subsidiaries and associates	(8)	—
Increase (decrease) in provision for bonuses	(6)	—
Increase (decrease) in allowance for doubtful accounts	126	0
Loss (gain) on sale of investment securities	(9)	—
Gain on sale of non-current assets	—	(0)
Loss on retirement of non-current assets	28	5
Loss on sale of non-current assets	38	0
Loss on withdrawal from business	—	242
Loss (gain) on sale of shares of subsidiaries and associates	—	(5)
Interest and dividend income	(28)	(7)
Interest expenses	412	346
Decrease (increase) in trade receivables	(1,947)	(32)
Decrease (increase) in real estate for sale	6,778	(16,044)
Decrease (increase) in real estate for sale in process	(318)	9,296
Decrease (increase) in advance payments to suppliers	(2,103)	(21)
Decrease (increase) in deposits paid	(60)	(119)
Increase (decrease) in advances received	1,793	(78)
Increase (decrease) in accounts payable - other	(343)	(302)
Increase/decrease in consumption taxes payable/consumption taxes refund receivable	(1,117)	(663)
Increase (decrease) in lease deposits received	674	228
Other, net	(761)	140
Subtotal	12,212	(4,118)
Interest and dividends received	27	6
Interest paid	(410)	(343)
Income taxes refund (paid)	(1,528)	(5,836)
Net cash provided by (used in) operating activities	10,301	(10,291)
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,055)	(516)
Proceeds from sale of property, plant and equipment	28	0
Purchase of intangible assets	(22)	(192)
Proceeds from sale of investment securities	52	—
Proceeds from sale of shares of subsidiaries and associates	—	33
Payments for investments in capital	(200)	(573)
Proceeds from withdrawal from golf course business	—	2,050
Loan advances	(449)	(458)
Proceeds from collection of loans receivable	51	10
Proceeds from liquidation of subsidiaries and associates	10	—
Proceeds from withdrawal of investments in capital	0	—
Other, net	8	(40)
Net cash provided by (used in) investing activities	(2,576)	313
Cash flows from financing activities		
Proceeds from long-term borrowings	18,353	17,718
Repayments of long-term borrowings	(25,948)	(17,448)
Purchase of treasury shares	—	(7,824)
Dividends paid	(150)	(1,351)
Repayments of finance lease liabilities	(132)	(67)
Proceeds from share issuance to non-controlling shareholders	15	—
Net cash provided by (used in) financing activities	(7,862)	(8,972)
Effect of exchange rate change on cash and cash equivalents	18	41
Net increase (decrease) in cash and cash equivalents	(119)	(18,908)
Cash and cash equivalents at beginning of period	19,922	28,222
Cash and cash equivalents at end of period	19,802	9,313

(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)
(Acquisition of treasury shares)

The Company acquired 8,000,000 treasury shares based on the resolution made at its board of directors' meeting held on June 1, 2022. As a result, treasury shares increased by 7,824 million yen in the first nine months of the fiscal year under review.

(Cancellation of treasury shares)

The Company carried out the cancellation of 8,000,000 treasury shares on July 29, 2022, based on the resolution made at its board of directors' meeting held on July 22, 2022. As a result, retained earnings brought forward and treasury shares both decreased by 8,000 million yen in the first nine months of the fiscal year under review, and treasury shares amounted to 473 million yen at the end of the third quarter of the fiscal year under review.

(Segment Information)

Information on net sales and profit (loss) by reporting segment and breakdown information on revenues

I. Nine Months Ended December 31, 2021 (April 1, 2021 to December 31, 2021)

(Millions of yen)

	Reportable segments			Total	Reconciling items	Per quarterly consolidated financial statements
	Value Creation Services	Value-Add Services	Future Value Creation Services			
Sales						
Revenues generated from contracts with customers	40,946	470	1,058	42,475	—	42,475
Other revenues	—	3,225	111	3,336	—	3,336
Revenues from external customers	40,946	3,696	1,169	45,811	—	45,811
Transactions with other segments	—	95	54	150	(150)	—
Net sales	40,946	3,791	1,224	45,962	(150)	45,811
Operating profit (loss)	9,313	948	(1,561)	8,700	(468)	8,231

(Note) 1. The amount of -468 million yen in reconciling items of segment profit (loss) is the elimination of inter-segment transactions (0 million yen) and the company-wide expenses of administrative expenses (-468 million yen) that are not allocated to each segment. The amount of segment profit (loss) after deduction of reconciling items is the same as the amount of 8,231 million yen of operating profit stated in the quarterly consolidated statements of income.

2. Other revenues mostly consist of rental revenue based on the Accounting Standard for Lease Transactions.

II. Nine Months Ended December 31, 2022 (April 1, 2022 to December 31, 2022)

(Millions of yen)

	Reportable segments			Total	Reconciling items	Per quarterly consolidated financial statements
	Value Creation Services	Value-Add Services	Future Value Creation Services			
Sales						
Revenues generated from contracts with customers	18,541	481	1,463	20,486	—	20,486
Other revenues	—	2,728	146	2,875	—	2,875
Revenues from external customers	18,541	3,209	1,609	23,361	—	23,361
Transactions with other segments	—	66	15	82	(82)	—
Net sales	18,541	3,276	1,625	23,443	(82)	23,361
Operating profit (loss)	4,886	508	(1,941)	3,453	(564)	2,889

(Note) 1. The amount of -564 million yen in reconciling items of segment profit (loss) is the elimination of inter-segment transactions (-0 million yen) and the company-wide expenses of administrative expenses (-564 million yen) that are not allocated to each segment. The amount of segment profit (loss) after deduction of reconciling items is the same as the amount of 2,889 million yen of operating profit stated in the quarterly consolidated statements of income.

2. Other revenues mostly consist of rental revenue based on the Accounting Standard for Lease Transactions.